



# **INDAKA MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2014**

# Annual Financial Statements

for

## INDAKA LOCAL MUNICIPALITY

for the year ended 30 June: **2014**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

| Contact Information:                    |  |
|---|--|
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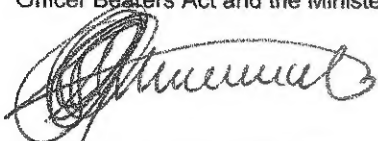
**INDAKA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

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**INDAKA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014  
**Approval of Annual Financial Statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 63 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



K S Khumalo  
Municipal Manager

DATE 29 August 2014

**INDAKA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**General information**

**Members of the Council**

|                    |   |
|--------------------|---|
| Cllr. Mchunu NB    | <b>Mayor</b>                              |
| Cllr. Mabele PBM   | <b>Speaker</b>                            |
| Cllr. Njapha TB    | <b>Deputy Mayor</b>                       |
| Cllr. Nzuza PM     | Member of the Executive Committee         |
| Cllr. Ngubane M    | Member of the Executive Committee         |
| Cllr. Mabele ZV    | Member                                    |
| Cllr. Twaia JS     | Member                                    |
| Cllr. Ndlovu SV    | Member Terminated 30 April 2014           |
| Cllr. Mbatha ME    | Member                                    |
| Cllr. Mbele NG     | Member                                    |
| Cllr. Majola BC    | Member                                    |
| Cllr. Kheswa MA    | Member                                    |
| Cllr. Madondo M    | Member                                    |
| Cllr. Banda SM     | Member                                    |
| Cllr. Shezi TBM    | Member                                    |
| Cllr. Zikalala NL  | Member                                    |
| Cllr. Mvelase SN   | Member                                    |
| Cllr. Madonsela HL | Member                                    |
| Cllr. Zikalala SJ  | Member                                    |
| Cllr N P Phakathi  | Member Passed Away 18 April 2014          |
| Cllr S Simelane    | Member Replaced N P Phakathi 23 June 2014 |

**INDAKA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**General information (continued)**

**Registered Office:** INDAKA LOCAL MUNICIPALITY

**Physical address:**

2748" F" Section Ekuvukeni  
Wasbank  
2920

**Postal address:**

Private Bag X70113  
Wasbank  
2920

**Telephone number:**

034 261 1000

**Fax number:**

034 261 2035

**E-mail address:**

[sinatrak@indaka.gov.za](mailto:sinatrak@indaka.gov.za)

**INDAKA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2014

|  | Note | 2014<br>R          | RESTATED<br>2013<br>R |
|--|------|--------------------|-----------------------|
| <b>ASSETS</b>                              |      |                    |                       |
| <b>Non-current assets</b>                  |      | <b>88,810,248</b>  | <b>75,010,710</b>     |
| Property, plant and equipment              | 10   | 88,421,284         | 74,723,732            |
| Investment properties                      | 11   | 254,334            | 277,259               |
| Intangible assets                          | 12   | 134,630            | 9,719                 |
| Heritage assets                            | 13   | -                  | -                     |
| <b>Current assets</b>                      |      | <b>106,002,208</b> | <b>67,774,978</b>     |
| Inventory                                  | 15   | 69,206             | 175,193               |
| Receivables from exchange transactions     | 16   | 106,917            | 193,084               |
| Receivables from non-exchange transactions | 17   | 795,250            | 1,220,739             |
| Value added taxation receivable            | 9    | 1,857,149          | 3,477,782             |
| Call investment deposits                   | 18   | 42,348,128         | 42,014,440            |
| Bank balances and cash                     | 19   | 60,825,558         | 20,693,740            |
| <b>Total Assets</b>                        |      | <b>194,812,457</b> | <b>142,785,688</b>    |
| <b>LIABILITIES</b>                         |      |                    |                       |
| <b>Non-current liabilities</b>             |      | <b>4,907,451</b>   | <b>4,361,944</b>      |
| Long-term liabilities                      | 2    | 3,488,900          | 3,666,253             |
| Non-current provisions                     | 3    | 748,551            | -                     |
| Long service awards and retirement gifts   | 4.2  | 670,000            | 602,000               |
| Non-current lease Liability                | 29   | -                  | 93,691                |
| <b>Current liabilities</b>                 |      | <b>18,912,376</b>  | <b>20,705,347</b>     |
| Deposits                                   | 5    | 5,945              | 5,610                 |
| Trade and other payables                   | 7    | 17,518,059         | 9,672,830             |
| Current portion of Provisions              | 6    | 183,432            | 818,551               |
| Current portion of long-term liabilities   | 2    | 177,482            | 168,936               |
| Current portion of lease liability         | 29   | 93,691             | 195,289               |
| Unspent conditional grants and receipts    | 8    | 933,766            | 9,844,130             |
| <b>Total liabilities</b>                   |      | <b>23,819,827</b>  | <b>25,067,291</b>     |
| <b>Total Assets and Liabilities</b>        |      | <b>170,992,630</b> | <b>117,718,397</b>    |
| <b>NET ASSETS</b>                          |      |                    |                       |
| Housing operating account                  | 1    | 653,525            | 617,990               |
| Accumulated surplus                        |      | 170,339,105        | 117,100,407           |
| <b>Total Net Assets</b>                    |      | <b>170,992,630</b> | <b>117,718,397</b>    |

**INDAKA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2014

|  | Note | 2014<br>R         | RESTATED<br>2013<br>R |
|--|------|-------------------|-----------------------|
| <b>Revenue</b>                                   |      |                   |                       |
| <b>Revenue from non-exchange transactions.</b>   |      |                   |                       |
| Property rates                                   | 20   | 2,189,186         | 1,635,181             |
| Public donations- Property, plant and equipment. |      |                   | 40,352                |
| Government grants and subsidies                  | 22   | 89,837,260        | 83,043,822            |
| <b>Revenue from exchange transactions.</b>       |      |                   |                       |
| Service charges                                  | 21   | 221,852           | 138,147               |
| Rental of facilities and equipment               | 30   | 102,952           | 76,993                |
| Interest earned - external investments           | 31   | 3,876,256         | 1,790,234             |
| Other income                                     | 32   | 113,366           | 94,963                |
| <b>Total revenue</b>                             |      | <b>96,340,872</b> | <b>86,819,690</b>     |
| <b>Expenses</b>                                  |      |                   |                       |
| Employee related costs                           | 23   | 9,256,777         | 9,100,720             |
| Remuneration of councillors                      | 24   | 5,125,489         | 4,780,264             |
| Depreciation                                     | 33   | 9,805,786         | 6,084,325             |
| Amortisation                                     | 33   | -                 | 7,363                 |
| Repairs and maintenance                          |      | 888,779           | 385,920               |
| Finance costs                                    | 25   | 213,962           | 254,925               |
| Contracted services                              | 26   | 5,049,968         | 4,613,508             |
| Grant Expenditure                                | 27   | 3,293,898         | 2,520,813             |
| Retirement and long services benefits.           | 4    | 265,410           | 101,000               |
| Adjustment to bad debt provision                 | 16   | 619,003           | 589,672               |
| Adjustment to non-current provisions             | 3    | 232,443           | 498,551               |
| Loss on disposal of assets                       |      | 28,769            | 79,303                |
| General expenses                                 | 28   | 8,321,888         | 7,338,073             |
| <b>Total expenditure</b>                         |      | <b>43,102,173</b> | <b>36,354,437</b>     |
| <b>Surplus / (deficit) for the year.</b>         |      | <b>53,238,699</b> | <b>50,465,253</b>     |



**INDAKA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2014

|   |        | Housing<br>Operating<br>Account | Accumulated<br>Surplus/(Deficit) | Total: Net Assets  |
|---|--------|---------------------------------|----------------------------------|--------------------|
|   | Note   | R                               | R                                | R                  |
| <b>2011</b>   |        |                                 |                                  |                    |
| <b>Restated surplus at 1 July 2011</b>              |        |                                 | <b>(3,503,467)</b>               |                    |
| Surplus at 30 June 2011- Previously reported        |        |                                 | (120,187)                        | (120,187)          |
| General Expenditure                                 |        |                                 | (908,057)                        | (908,057)          |
| Repairs & Maintenance                               |        |                                 | (93,104)                         | (93,104)           |
| Depreciation  |        |                                 | (345,011)                        | (345,011)          |
| Finance Costs                                       |        |                                 | (507,651)                        | (507,651)          |
| Interest Earned                                     |        |                                 | (63,109)                         | (63,109)           |
| Employee Related Costs.                             |        |                                 | (14,963)                         | (14,963)           |
| Income  |        |                                 | 16,072                           | 16,072             |
| Repayment Grants                                    |        |                                 | (2,685,282)                      | (2,685,282)        |
| Fixed Assets  |        |                                 | 841,706                          | 841,706            |
| Trade and Other Payables from Exchange Transactions |        |                                 | 596,626                          | 596,626            |
| Changes in Leased Liabilities                       |        |                                 | (220,508)                        | (220,508)          |
| <b>Balance at 30 June 2011</b>                      |        |                                 | <b>29,634,960</b>                | <b>29,634,960</b>  |
| <b>2012</b>   |        |                                 |                                  |                    |
| Net Surplus for the year                            |        |                                 | 40,797,005                       | 40,797,005         |
| Transfer to Housing Operating Account               | 1      | 653,472                         |                                  | 653,472            |
| Transfer to/(from) Appropriations for 2011/2012     |        |                                 | 253,545                          | 253,545            |
| <b>Balance at 30 June 2012</b>                      |        | <b>653,472</b>                  | <b>70,685,510</b>                | <b>71,338,982</b>  |
| <b>Restated surplus at 1 July 2012</b>              |        |                                 | <b>36,170,589</b>                |                    |
| Surplus at 30 June 2012- Previously reported        |        |                                 | 40,797,005                       | 40,797,005         |
| General Expenditure                                 | 37.1.4 |                                 | (1,243,198)                      | (1,243,198)        |
| Remuneration of Councillors                         | 37.1.3 |                                 | (3,302)                          | (3,302)            |
| Contracted Services                                 | 37.1.5 |                                 | (32,480)                         | (32,480)           |
| Employee Related Costs.                             | 37.1.2 |                                 | (76,240)                         | (76,240)           |
| Income-Rental of Facilities                         | 37.1.1 |                                 | (6,000)                          | (6,000)            |
| Fixed Assets  | 37.2.1 |                                 | (2,764,196)                      | (2,764,196)        |
| Provision Long Service                              | 37.2.3 |                                 | (501,000)                        | (501,000)          |
| Change of Accounting Policy                         | 36     |                                 | (446,990)                        | (446,990)          |
| <b>Restated Balance at 30 June 2012</b>             |        | <b>653,472</b>                  | <b>65,612,105</b>                | <b>66,265,577</b>  |
| Net Surplus for the year                            |        |                                 | 50,514,589                       | 50,514,589         |
| Transfer to Housing Operating Account               | 1      | (35,482)                        |                                  | (35,482)           |
| Transfer to/(from) Appropriations for 2012/2013     | 37.2.2 |                                 | (38,072)                         | (38,072)           |
| <b>Balance at 30 June 2013</b>                      |        | <b>617,990</b>                  | <b>116,088,620</b>               | <b>116,706,612</b> |
| <b>Restated surplus at 1 July 2013</b>              |        |                                 |                                  |                    |
| Prior period income and expenditure errors          | 37.1   |                                 | (49,335)                         | (49,335)           |
| Heritage asset not classified correctly             |        |                                 | (676,880)                        | (676,880)          |
| Vacant land previously not recognised.              |        |                                 | 1,738,000                        | 1,738,000          |
| <b>Restated Balance at 30 June 2013</b>             |        | <b>617,990</b>                  | <b>117,100,406</b>               | <b>117,718,397</b> |
| Net Surplus for the year                            |        |                                 | 53,238,699                       | 53,238,699         |
| Transfer to Housing Operating Account               | 1      | 35,534                          |                                  | 35,534             |
| Vacant land previously not recognised.              |        |                                 | -                                | -                  |
| Transfer to/(from) Appropriations for 2013/2014     |        |                                 | -                                | -                  |
| <b>Balance at 30 June 2014</b>                      |        | <b>653,525</b>                  | <b>170,339,105</b>               | <b>170,992,630</b> |

**INDAKA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
as at 30 June 2014

|   | Note    | 2014<br>R          | RESTATED<br>2013<br>R |
|---|---------|--------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |         |                    |                       |
| Receipts  |         |                    |                       |
| Cash receipts from rate payers and Government                     |         | 80,926,896         | 85,696,183            |
| Other receipts  |         | 4,759,646          |                       |
| Cash paid to suppliers and employees                              |         |                    | -29,511,659           |
| Employee costs  | 23 & 24 | -14,382,266        |                       |
| Suppliers   |         | -10,531,975        |                       |
| <b>Cash generated from operations</b>                             |         | <b>60,772,300</b>  | <b>56,184,524</b>     |
| Interest Received   | 31      | 3,876,256          | 1,790,234             |
| Interest Paid.  | 25      | -213,962           | -254,925              |
| <b>Net cash flows from operating activities</b>                   |         | <b>64,434,592</b>  | <b>57,719,833</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |         |                    |                       |
| Purchase of fixed assets  | 10&11   | -23,634,093        | -22,821,567           |
| Proceeds on disposal of property, plant & equipment               |         | 28,769             | 261,399               |
| Proceeds from sale of investments                                 |         |                    |                       |
| Purchase of foreign currency securities                           |         |                    |                       |
| <b>Net cash flows from investing activities</b>                   |         | <b>-23,605,324</b> | <b>-22,560,168</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |         |                    |                       |
| Decrease in long term liability                                   | 2       | -168,808           | -160,796              |
| Repayment of finance lease liability                              | 29      | -195,289           | -275,055              |
| Long term liability - Retirement benefit                          | 4       | 0                  | 101,000               |
| Increase in consumer deposits.                                    | 5       | 335                |                       |
| <b>Net cash flows from financing activities</b>                   |         | <b>-363,762</b>    | <b>-334,851</b>       |
|   |         | <b>40,465,506</b>  | <b>34,824,814</b>     |
| <b>Net increase / (decrease) in net cash and cash equivalents</b> |         | <b>40,465,506</b>  | <b>34,824,815</b>     |
| <b>Net cash and cash equivalents at beginning of period</b>       |         | <b>62,708,180</b>  | <b>27,883,365</b>     |
| <b>Net cash and cash equivalents at end of period</b>             | 19      | <b>103,173,686</b> | <b>62,708,180</b>     |

**INDAKA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS**  
for the year ended 30 June 2014

| Description  | 2013/14               |                          |                    |                      |  |  | Variance (1) between Original and Final Budget (000) | Note on variances (1) | Variance (2) between Final Budget and Actual outcome (000) | Note on variances (2)                      |
|--|-----------------------|--------------------------|--------------------|----------------------|--|--|--|-----------------------|--|--|
|  | Original Budget (000) | Budget Adjustments (000) | Final Budget (000) | Actual outcome (000) |  |  |  |                       |  |  |
| <b>R (000) thousands</b>   |                       |                          |                    |                      |  |  |  |                       |  |  |
| <b>Financial Performance</b>   |                       |                          |                    |                      |  |  |  |                       |  |  |
| Property rates   | 2,029,208             | 2,233,603                | 2,233,603          | 2,189,186            |  |  |  |                       | 44,417   | Due to corrections to consumer accounts    |
| Services charges - Refuse  | 188,644               | 220,000                  | 220,000            | 221,852              |  |  |  | -1,852                |  | N A  |
| Rentals of Facilities and Equipment                                  | 75,766                | 78,398                   | 78,398             | 102,352              |  |  |  |                       | -24,554  | Due to new rental agreements               |
| Interest Earned-External Investment                                  | 1,000,000             | 2,850,000                | 2,850,000          | 3,876,256            |  |  |  |                       | -1,026,256   | Due to under expenditure on grants         |
| Transfers recognised - operational                                   | 67,390,000            | 67,241,000               | 67,241,000         | 66,851,057           |  |  |  |                       | 389,943  | Due to under expenditure on grants         |
| Other own revenue  | 68,633                | 75,000                   | 75,000             | 113,565              |  |  |  |                       | -38,565  | Due to more tender documents has been sold |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>70,742,311</b>     | <b>72,693,003</b>        | <b>72,693,003</b>  | <b>73,354,969</b>    |  |  |  |                       | <b>-656,987</b>  |  |
| <b>Employee Related Costs</b>  |                       |                          |                    |                      |  |  |  |                       |  |  |
| Remuneration of Councilors   | 12,288,079            | 11,965,652               | 11,965,652         | 9,296,777            |  |  |  |                       | 2,708,875  | Due to vacant positions on new organogram  |
| Dept Impairment  | 5,384,635             | 5,414,941                | 5,414,941          | 5,125,489            |  |  |  |                       | 269,452  | Due to vacant positions                    |
| Depreciation and asset impairment                                    | 1,200,000             | 700,000                  | 700,000            | 619,003              |  |  |  |                       | 80,997   | Over budgeted                              |
| Finance charges  | 7,290,000             | 8,690,000                | 8,690,000          | 8,805,786            |  |  |  |                       | -1,115,786   | Due to work in progress brought into use   |
| Contracted Services  | 275,000               | 195,000                  | 195,000            | 213,962              |  |  |  |                       | -18,962  | Recalculation                              |
| Transfers and Grants   | 4,635,000             | 4,285,000                | 4,285,000          | 5,049,968            |  |  |  |                       | -764,968   | Due to new contracts                       |
| Other Expenditure  | 1,000,000             | 800,000                  | 800,000            | 559,541              |  |  |  |                       | 240,459  | Recalculation                              |
| Loss on Disposal of PPE  | 28,190,517            | 23,018,180               | 23,018,180         | 12,442,877           |  |  |  |                       | 10,675,303   | Budget controls                            |
|  | 0                     | 0                        | 0                  | 28,769               |  |  |  |                       | -28,769  | Assets return to Prov Library Services     |
| <b>Total Expenditure</b>   | <b>58,148,231</b>     | <b>55,985,773</b>        | <b>55,985,773</b>  | <b>43,102,173</b>    |  |  |  |                       | <b>11,966,600</b>  |  |
| <b>Surplus</b>   | <b>12,594,079</b>     | <b>17,628,228</b>        | <b>17,628,228</b>  | <b>30,252,796</b>    |  |  |  |                       | <b>-12,623,267</b>   |  |
| <b>Transfers recognised - capital</b>                                | <b>38,846,701</b>     | <b>34,484,395</b>        | <b>34,484,395</b>  | <b>22,986,204</b>    |  |  |  |                       | <b>11,498,191</b>  | Due to under expenditure on capital        |
| <b>Contributions recognised - capital and contributed assets</b>     |                       |                          |                    |                      |  |  |  |                       |  |  |
| <b>Surplus after capital transfers &amp; contributions</b>           |                       |                          |                    |                      |  |  |  |                       |  |  |
| <b>Surplus for the year</b>  | <b>51,445,780</b>     | <b>52,113,623</b>        | <b>52,113,623</b>  | <b>53,238,999</b>    |  |  |  |                       | <b>-1,125,076</b>  |  |
| <b>Capital Expenditure &amp; funds raised</b>                        |                       |                          |                    |                      |  |  |  |                       |  |  |
| <b>Capital Expenditure</b>   |                       |                          |                    |                      |  |  |  |                       |  |  |
| Transfers recognised - capital                                       | 38,846,701            | 34,484,395               | 34,484,395         | 20,444,596           |  |  |  |                       | 14,035,799   | Due to under expenditure on capital        |
| Public Contributions and Donations                                   |                       |                          |                    | -34,587              |  |  |  |                       | 34,587   | Assets return to Prov Library Services     |
| Assets previously not recognised internally generated funds          | 12,589,326            | 17,590,131               | 17,590,131         | 3,189,996            |  |  |  |                       | 14,400,635   | Services                                   |
|  |                       | 0                        | 0                  |                      |  |  |  |                       |  | Due to under expenditure on capital        |
| <b>Total Sources of capital funds</b>                                | <b>51,436,027</b>     | <b>52,074,526</b>        | <b>52,074,526</b>  | <b>23,599,592</b>    |  |  |  |                       | <b>28,475,021</b>  |  |
| <b>Net Surplus/deficit</b>   | <b>9,753</b>          | <b>39,097</b>            | <b>39,097</b>      | <b>29,344</b>        |  |  |  |                       |  |  |
| <b>Cash Flows</b>  |                       |                          |                    |                      |  |  |  |                       |  |  |
| Net cash from (used) operating                                       | 48,069,000            | 37,190,000               | 37,190,000         | 64,434,592           |  |  |  |                       | -27,244,592  |  |
| Net cash from (used) investing                                       | -47,569,000           | 33,631,000               | -33,631,000        | -23,605,324          |  |  |  |                       | 10,085,676   |  |
| Net cash from (used) financing                                       |                       | 841,000                  | 841,000            | -363,762             |  |  |  |                       | 1,204,762  |  |
| <b>Cash/Cash equivalents at the year end</b>                         | <b>500,000</b>        | <b>4,340,000</b>         | <b>4,340,000</b>   | <b>40,465,506</b>    |  |  |  |                       | <b>-36,125,506</b>   |  |

**INDAKA LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2014

**1 BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009 and May 2010, respectively, as amended.

**1.1 Changes in accounting policy and comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

**1.2 Critical judgments, estimations and assumptions**

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**1.2.1 Revenue Recognition**

Accounting Policy 9.2 on *Revenue from Exchange Transactions* and Accounting Policy 9.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-exchange Transactions*. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.2.2 Financial assets and liabilities**

The classification of financial assets and liabilities into categories is based on judgement by management.

**1.2.3 Impairment of Financial Assets**

Accounting Policy 6 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

**1.2.4 Useful lives of Property, Plant and Equipment ("PPE")**

As described in Accounting Policies 3.3 and 4, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

**1.2.5 Impairment: Write down of PPE and Inventories**

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values where necessary.

**1.2.6 Defined Benefit Plan Liabilities**

As described in Accounting Policy 12.4.2, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Long service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

**INDAKA LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2014

**1.3 Presentation currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

**1.4 Going concern assumption**

The Annual Financial Statements have been prepared on a going concern basis.

**1.5 Offsetting**

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

**1.6 New standards and interpretations**

**1.6.1 Standards and interpretations effective and adopted in the current year**

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**GRAP 25: Employee Benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- ☐ a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- ☐ an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 31: Intangible Assets**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

**INDAKA LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2014

**1.6.2 Standards and interpretations issued, but not yet effective**

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality.

**GRAP 105: Transfers of Functions Between Entities Under Common Control**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

**INDAKA LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2014

**GRAP 107: Mergers**

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

**GRAP 20: Related Party Disclosures**

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- ☐ control;
- ☐ related party transactions; and
- ☐ remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**For the year under review, Council has applied IPSAS 20.IGRAP 16: Intangible Assets - Website Costs**

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

It concludes that a municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, a municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires a municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

**INDAKA LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2014

**Improvements to Standards of GRAP**

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011.

GRAP 1;  
GRAP 3;  
GRAP 7;  
GRAP 9;  
GRAP 12,  
GRAP 13;  
GRAP 16; and  
GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

**1.6.3 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

**GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

**GRAP 32: Service Concession Arrangement: Grantor**

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

**GRAP 108: Statutory Receivables.**

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.



**INDAKA LOCAL MUNICIPALITY**  
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**2 HOUSING OPERATING ACCOUNT**

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**3 PROPERTY, PLANT AND EQUIPMENT**

**3.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**3.2 Subsequent Measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

**INDAKA LOCAL MUNICIPALITY**  
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for the year ended 30 June 2014

**3.3 Depreciation**

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

**Details**

***Infrastructure***

Roads gravel 3 - 7 years

Roads premix 10 - 15 years

Storm Water 20 - 30 years

***Community***

Community and Recreation Facilities 30 years

Office buildings 15-30 years

Vehicles 5 - 7 years

Office equipment 3 - 7 years

Computer equipment 3 - 5 years

Furniture and Fittings 5 - 7 years

Plant & equipment 10 - 15 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

**3.4 Incomplete Construction Work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

**3.5 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

**3.6 Heritage Assets**

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

The municipality utilized the transitional provisions under Directive 4, which allows 3 years for the measurements of Heritage Assets.

**3.7 Derecognition of Property, Plant and Equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

**INDAKA LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
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**4 INTANGIBLE ASSETS**

**4.1 Initial Recognition**

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

**4.2 Subsequent Measurement, Amortisation and Impairment**

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

**4.3 Derecognition of Intangible Assets**

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

**INDAKA LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2014

**5 INVESTMENT PROPERTY**

**5.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale.

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised..

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

Subsequent to initial measurement investment property is measured at cost.

**INDAKA LOCAL MUNICIPALITY**  
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**6 Impairment of Assets**

**6.1 Cash - generating Assets**

**Identification:**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

**Discount rate**

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement**

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

**6.2 Impairment of Non-cash Generating Assets**

**Identification**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

**Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Recognition and measurement**

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

**7**

**FINANCIAL INSTRUMENTS**

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

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**7.1 Financial Assets - Classification**

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

**Type of Financial Asset Classification in terms of GRAP 104**

Short-term Investment Deposits – Call (Financial assets at amortised cost)

Bank Balances and Cash (Financial assets at amortised cost)

Long-term Receivables (Financial assets at amortised cost)

Consumer Debtors (Financial assets at amortised cost)

Other Debtors (Financial assets at amortised cost)

Investments in Fixed Deposits (Financial assets at amortised cost)

*Financial assets at amortised cost* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

**7.2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard:

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

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**7.3 Initial and Subsequent Measurement**

**7.3.1 Financial Assets:**

*Financial assets at amortised cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

**7.3.2 Financial Liabilities:**

*Financial Liabilities at amortised cost* are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

**7.4 Impairment of Financial Assets**

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**7.5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**7.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.



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**8 INVENTORIES**

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**9 REVENUE RECOGNITION**

**9.1 General**

*Revenue from exchange transactions*

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Revenue from non-exchange transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**9.2 Revenue from Exchange Transactions**

**9.2.1 Service Charges**

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

**9.2.2 Finance Income**

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

**9.2.3 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**9.2.4 Rentals**

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

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**9.3 Revenue from Non-exchange Transactions**

**9.3.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**9.3.2 Public contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

**9.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

**10 GOVERNMENT GRANTS AND RECEIPTS**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

**11 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land)

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

**12 EMPLOYEE BENEFITS**

**12.1 Short-term Employee Benefits**

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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**12.2 Past service costs**

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are recognised in full.

**12.3 Defined Contribution Plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

**12.4 Defined Benefit Plans**

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

**12.4.1 Pension obligations**

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

**12.4.2 Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

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**13 LEASES**

**13.1 The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

**13.2 The Municipality as Lessor**

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

**14 BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

**15 VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the payments basis.

**16 CASH AND CASH EQUIVALENTS**

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**17 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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- 18 IRREGULAR EXPENDITURE**  
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.
- 19 FRUITLESS AND WASTEFUL EXPENDITURE**  
Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.
- 20 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**  
Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.  
Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.  
Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.
- 21 RELATED PARTIES**  
Individuals, including councilors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.  
Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.
- 22 COMMITMENTS.**  
Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.  
The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.
- 23 EVENTS AFTER THE REPORTING DATE**  
Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.
- 24 COMPARATIVE INFORMATION**
- 24.1 Prior year comparatives**  
When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.
- 25 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**  
Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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|  | Note | 2014<br>R        | RESTATED<br>2013<br>R |
|--|------|------------------|-----------------------|
| <b>1 HOUSING OPERATING ACCOUNT</b>   |      |                  |                       |
| Housing Operating Account 30 June 2013   |      | 617,990          | 653,472               |
| Interest Received  |      | 35,534           | 34,699                |
| Payment 2013/2014  |      |                  | (70,181)              |
| Housing Operating Account 30 June 2014   |      | <u>653,525</u>   | <u>617,990</u>        |
| The Housing Operating Account is represented by the following assets and liabilities   |      |                  |                       |
| Cash and cash equivalents (included in Investments.)   |      | <u>653,525</u>   | <u>617,990</u>        |
|  |      | <u>653,525</u>   | <u>617,990</u>        |
| <b>2 LONG-TERM LIABILITIES</b>   |      |                  |                       |
| Annuity Loans  |      | 3,666,382        | 3,835,189             |
| Sub-total  |      | <u>3,666,382</u> | <u>3,835,189</u>      |
| Less: Current portion transferred to current liabilities   |      | 177,482          | 168,936               |
| Annuity Loans  |      | <u>177,482</u>   | <u>168,936</u>        |
| Total External Loans   |      | <u>3,488,900</u> | <u>3,666,253</u>      |
| Refer to Appendix A for more detail on long-term liabilities.  |      |                  |                       |
| <b>Annuity loans</b>   |      |                  |                       |
| Bear interest at rates between 5.0% per annum, are being redeemed in six monthly instalments, including interest, in September and March until 2028. |      |                  |                       |
| <b>3 NON-CURRENT PROVISIONS</b>  |      |                  |                       |
| Provision for rehabilitation of landfill site  |      | 861,983          | 748,551               |
| Sub Total  |      | <u>861,983</u>   | <u>748,551</u>        |
| Less: Current portion transferred to current liabilities (refer to Note 6)   |      | 113,432          | 748,551               |
| Provision for rehabilitation of landfill site  |      | <u>113,432</u>   | <u>748,551</u>        |
| Total Non-Current Provisions   |      | <u>748,551</u>   | <u>0</u>              |
| The movement in non-current provisions are reconciled as follows.  |      |                  |                       |
| <u>Landfill site rehabilitation</u>  |      |                  |                       |
| Balance at beginning of year   |      | 748,551          | 250,000               |
| Contributions to provision   |      | 113,432          | 498,551               |
| Reduction due to remeasurement   |      | -                | -                     |
| Increase due to discounting  |      | -                | -                     |
| Expenditure incurred   |      | -                | -                     |
| Balance at end of year   |      | <u>861,983</u>   | <u>748,551</u>        |

The provision created for the rehabilitation of the landfill site is based on a report conducted by AB Projects for the rehabilitation costs of the dumpsite. The report indicates a remaining life span of five years.

**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

|  | Note | 2014<br>R        | RESTATED<br>2013<br>R |
|--|------|------------------|-----------------------|
| <b>4 RETIREMENT BENEFIT INFORMATION</b>  |      |                  |                       |
| <b>4.1 Defined contribution plan</b>   |      |                  |                       |
| Indaka Municipality has been contributing to three (3) different funding schemes in respect of retirement benefit. These contributions have been expensed.   |      |                  |                       |
| <i>These valuations indicate that the plan is in a sound financial position. Actuarial valuation must be conducted at least every 3 years.</i>   |      |                  |                       |
|  |      | <b>Assets</b>    | <b>Liabilities</b>    |
| KZN/Natal Joint Pension Fund @ 31 March 2012   |      | 6 538,900        | 6,270,000             |
| Government Employees Pensions Fund @ 31 March 2010   |      | 708,137,500      | 18,003,753            |
| Municipal Council Provident Fund @ 30 June 2009  |      | 1,136,372,026    | 178,180,678           |
| <i>Amount below was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.</i> |      |                  |                       |
| KZN/Natal Joint Provident Fund   |      | 553,399          | 275,994               |
| Government Employees Pensions Fund   |      | 507,488          | 337,620               |
| Municipal Council Provident Fund   |      | 0                | 0                     |
| <b>4.2 Long service awards and retirement gifts</b>  |      |                  |                       |
| The independent valuers, One Pangaea Financial actuarial consulting, carry out a statutory valuation on an annual basis.   |      |                  |                       |
| The principal actuarial assumptions used were as follows:  |      |                  |                       |
| Discount rate per annum  |      | 8.46%            | 8.25%                 |
| General Salary Inflation (long term)   |      | 6.27%            | 7.00%                 |
| Net effective discount rate  |      | 1.11%            | 1.17%                 |
| Examples of mortality rates used were as follows:  |      |                  |                       |
| Average retirement age   |      | 63 years         | 63 years              |
| Mortality during employment  |      | SA85-90 Ultimate | SA85-90 Ultimate      |
| <i>Members withdrawn from service:</i>   |      |                  |                       |
| Age 20   |      | 12.0%            | 12.0%                 |
| Age 25   |      | 6.6%             | 6.6%                  |
| Age 30   |      | 5.1%             | 5.1%                  |
| Age 35   |      | 3.6%             | 3.6%                  |
| Age 40   |      | 2.6%             | 2.6%                  |
| Age 45   |      | 1.8%             | 1.8%                  |
| Age 50   |      | 1.1%             | 1.1%                  |
| Age 55+  |      | 0.0%             | 0.0%                  |
| The amounts recognised in the Statement of Financial Position were determined as follows:  |      |                  |                       |
| Present value of funded obligations  |      | 670,000          | 602,000               |
| Fair value of plan assets  |      |                  |                       |
| Liability in the Statement of Financial Position   |      | <u>670 000</u>   | <u>602 000</u>        |

**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

|   | Note | 2014<br>R      | RESTATE<br>2013<br>R |
|---|------|----------------|----------------------|
| Movement in the defined benefit obligation is as follows:                         |      |                |                      |
| Balance at beginning of the year  |      | 602 000        | 501 000              |
| Current service cost  |      | 81 000         | 72 000               |
| Interest cost   |      | 42 000         | 41 000               |
| Actuarial (Gain)/losses   |      | 142 410        | -                    |
| Benefit payments  |      | ( 197 410)     | ( 12 000)            |
| Miscellaneous   |      |                |                      |
| Balance at end of year  |      | <u>670 000</u> | <u>602 000</u>       |
| The amounts recognised in the Statement of Financial Performance were as follows: |      |                |                      |
| Current service cost  |      | 81 000         | 72 000               |
| Interest cost   |      | 42 000         | 41 000               |
| Actuarial (Gain)/losses   |      | 142 410        | -                    |
| Benefit payments  |      | ( 197 410)     | ( 12 000)            |
|   |      | <u>68 000</u>  | <u>101 000</u>       |
| In conclusion:  |      |                |                      |
| Statement of Financial Position obligation for:                                   |      |                |                      |
| Post-employment medical benefits  |      |                |                      |
| Long Service Award  |      | 670 000        | 602 000              |
|   |      | <u>670 000</u> | <u>602 000</u>       |
| Statement of Financial Performance obligation for:                                |      |                |                      |
| Post-employment medical benefits  |      |                |                      |
| Long Service Award loss   |      | 68 000         | 101 000              |
|   |      | <u>68 000</u>  | <u>101 000</u>       |
| Additional retirement costs   |      | -              | -                    |
|   |      | <u>68 000</u>  | <u>101 000</u>       |
| Long service award gain   |      | -              | -                    |
|   |      | <u>-</u>       | <u>-</u>             |



**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

|   | Note | 2014<br>R         | RESTATED<br>2013<br>R |
|---|------|-------------------|-----------------------|
| <b>5 DEPOSITS</b>   |      |                   |                       |
| Hall Deposits   |      | 5 845             | 5 610                 |
| <b>6 CURRENT PORTION OF PROVISIONS</b>  |      |                   |                       |
| Rehabilitation of the landfill site - current portion   |      | 113 432           | 748 551               |
| Performance Bonus   |      | 70 000            | 70 000                |
|   |      | <u>183 432</u>    | <u>818 551</u>        |
| R 70 000 00 is included in employment related cost as performance bonus for the Municipal Manager.  |      |                   |                       |
| <b>7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>  |      |                   |                       |
| Trade creditors   |      | 1,820,101         | 6,253,019             |
| Other Creditors   |      | 62 298            | 44 659                |
| Other Creditors Payment in Advance-Debtors  |      | 14,122            | 233,472               |
| Other Creditors-Conditional Grant Repayable   |      | 11,888,103        | 0                     |
| Retentions  |      | 3,012,740         | 2,423,993             |
| Staff leave accrual   |      | 720,694           | 717,687               |
| <b>Total creditors</b>  |      | <u>17,518,059</u> | <u>9,672,830</u>      |
| <b>8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>  |      |                   |                       |
| Unspent Conditional Grants from other spheres of Government   |      |                   |                       |
| MSIG Grant Uthukela   |      | 56,126            | 56,126                |
| MSIG Grant Uthukela   |      |                   | 289,424               |
| Eradication of Bucket System  |      | 671,219           | 671,219               |
| Interdepartmental Planning  |      | 31,700            | 31,700                |
| Backlog Infrastructure  |      | 80,702            | 80,702                |
| Land Use Management   |      | 1,112             | 1,112                 |
| DBSA Feasibility Grant  |      | 92,907            | 92,907                |
| FMG Grant   |      |                   | 172,692               |
| D O E Grant   |      | 0                 | 1,427 851             |
| MIG 2013/2014   |      | 0                 | 0                     |
| EPWP  |      | 0                 |                       |
| MIG Prior   |      | 0                 | 7 020,396             |
| <b>Total Unspent Conditional Grants and Receipts</b>  |      | <u>933,766</u>    | <u>9,844,130</u>      |
| See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.   |      |                   |                       |
| <b>9 VALUE ADDED TAXATION PAYABLE/RECEIVABLE FROM EXCHANGE</b>  |      |                   |                       |
| VAT Receivable  |      | 1,857,149         | 290,053               |
| VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid to SARS. All VAT returns have been submitted by the due date throughout the year. |      | <u>1,857,149</u>  | <u>3,477,782</u>      |

**INDAKA LOCAL MUNICIPALITY**  
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for the year ended 30 June 2014

**10 PROPERTY, PLANT AND EQUIPMENT**

| Reconciliation of Carrying Value                     | Landfilled site<br>R | Land      | Buildings<br>R | Infrastructure<br>R | Community<br>R | Other Assets<br>R | Leased assets<br>R | Under Construction<br>R | Total<br>R  |
|--|----------------------|-----------|----------------|---------------------|----------------|-------------------|--------------------|-------------------------|-------------|
|  |                      |           |                |                     |                |                   |                    |                         |             |
| Carrying Values at 30 June 2013                      |                      |           |                |                     |                |                   |                    |                         |             |
| Cost   | 250,000              |           | 4,444,379      | 39,388,454          | 9,001,863      | 3,783,610         | 284,898            | 15,832,788              | 72,985,732  |
| Accumulated depreciation                             | 250,000              |           | 5,591,040      | 48,511,025          | 10,709,583     | 7,399,482         | 886,530            | 15,832,788              | 90,160,448  |
| Correction of error (33.1) previously not recognised |                      |           | -1,146,661     | -10,034,647         | -1,795,905     | 3,615,871         | -601,632           | 0                       | -17,194,716 |
|  |                      | 1,738,000 |                |                     |                |                   |                    |                         |             |
| Restated Carrying Values at 30 June 2013             |                      |           |                |                     |                |                   |                    |                         |             |
| Cost   | 250,000              | 1,738,000 | 4,444,379      | 39,476,378          | 8,913,678      | 3,783,611         | 284,898            | 15,832,788              | 74,723,732  |
| Accumulated depreciation                             | 250,000              | 1,738,000 | 5,591,040      | 48,511,025          | 10,709,583     | 7,399,482         | 886,530            | 15,832,788              | 91,918,448  |
| Acquisitions   | 0                    | 0         | -1,146,661     | -10,034,647         | -1,795,905     | -3,615,871        | -801,632           | 0                       | -17,184,718 |
| Capital under construction brought into use          |                      |           | 615,770        | 10,450,690          | 1,205,982      | 821,280           |                    | 10,535,763              | 23,429,505  |
| Disposal of Assets                                   |                      |           |                | 8,140,756           |                | -34,587           |                    | -8,140,756              | 0           |
| Change in Policy                                     |                      |           |                |                     |                |                   |                    |                         | -34,587     |
| Cost   | 250,000              | 1,738,000 | 6,206,810      | 68,102,471          | 11,915,575     | 8,020,772         | 886,530            | 18,227,795              | 116,347,853 |
| Acc dep  |                      |           |                |                     |                |                   |                    |                         | 0           |
| Assets written off                                   |                      |           |                |                     |                |                   |                    |                         | 0           |
| Cost   |                      |           |                |                     |                |                   |                    |                         | 0           |
| Accumulated Depreciation                             |                      |           |                |                     |                |                   |                    |                         | 0           |
| Impairment   |                      |           |                |                     |                |                   |                    |                         | 5,818       |
| Change in Accounting Policy                          |                      |           |                |                     |                |                   |                    |                         | 0           |
| Depreciation   |                      |           |                |                     |                |                   |                    |                         | 0           |
| Change in accounting Estimates                       |                      |           | -201,265       | -8,139,881          | -454,323       | -741,094          | -208,258           |                         | -8,744,801  |
| Carrying Value of disposals                          |                      |           |                |                     |                | 6,830             |                    |                         | 6,830       |
| Carrying Values at 30 June 2014                      |                      |           |                |                     |                |                   |                    |                         | 0           |
| Cost   | 250,000              | 1,738,000 | 4,858,884      | 49,928,163          | 9,685,347      | 3,878,459         | 76,640             | 18,227,795              | 88,421,284  |
| Accumulated depreciation                             | 250,000              | 1,738,000 | 6,206,810      | 68,102,471          | 11,915,575     | 8,020,772         | 886,530            | 18,227,795              | 115,347,853 |
|  | 0                    |           | -1,347,926     | -18,174,308         | -2,250,228     | -4,344,317        | -808,880           | 0                       | -28,926,688 |

INDAKA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
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10 PROPERTY, PLANT AND EQUIPMENT

| Reconciliation of Carrying Value                                  | Landfilled site | Land | Buildings   | Infrastructure | Community   | Other Assets | Leased assets | Under Construction | Total        |
|---|-----------------|------|-------------|----------------|-------------|--------------|---------------|--------------------|--------------|
|   | R               |      | R           | R              | R           | R            | R             | R                  | R            |
| <b>Carrying Values at 30 June 2012</b>                            |                 |      |             |                |             |              |               |                    |              |
| Cost  | 250,000         |      | 4,630,747   | 21,546,901     | 10,418,163  | 5,164,212    | 493,156       | 17,388,112         | 59,691,291   |
| Accumulated depreciation  | 250,000         |      | 5,591,040   | 27,057,793     | 12,416,442  | 10,661,276   | 886,530       | 17,388,112         | 74,271,193   |
|   | 0               |      | (960,293)   | (5,510,892)    | (1,998,279) | (5,517,064)  | (393,374)     | 0                  | (14,379,902) |
| Correction of error (33.1) previously not recognised              |                 |      |             |                |             |              |               |                    |              |
| Correction of error (33.1) Depreciation previously not recognised |                 |      |             |                |             |              |               |                    |              |
| <b>Note 37</b>  |                 |      |             |                |             |              |               |                    |              |
| Correction of Error 30 June 2012                                  |                 |      |             |                |             |              |               |                    |              |
| Cost  | 0               |      | -           | -              | (2,831,714) | 0            | 0             | 0                  | (2,831,714)  |
| Accumulated depreciation  | 0               |      | 0           | 0              | (3,468,420) | 0            | 0             | 0                  | (3,468,420)  |
|   | 0               |      | 0           | 0              | 636,708     | 0            | 0             | 0                  | 636,708      |
| Change in Policy  |                 |      |             |                |             |              |               |                    |              |
| Change in Accounting Policy                                       |                 |      |             |                |             |              |               |                    |              |
| Depreciation  |                 |      |             |                |             | (446,990)    |               |                    | (446,990)    |
|   |                 |      |             |                |             | (1,110,948)  |               |                    | (1,110,948)  |
|   |                 |      |             |                |             | 683,958      |               |                    | 683,958      |
| <b>Restated Carrying Values at 30 June 2012</b>                   |                 |      |             |                |             |              |               |                    |              |
| Cost  | 250,000         |      | 4,630,747   | 21,546,901     | 7,886,449   | 4,717,222    | 493,156       | 17,388,112         | 56,812,584   |
| Accumulated depreciation  | 250,000         |      | 5,591,040   | 27,057,793     | 8,948,022   | 9,570,328    | 886,530       | 17,388,112         | 69,681,825   |
|   | 0               |      | (960,293)   | (5,510,892)    | (1,381,573) | (4,853,106)  | (393,374)     | 0                  | (13,078,298) |
| <b>Acquisitions</b>   |                 |      |             |                |             |              |               |                    |              |
| Capital under construction brought into use                       |                 |      |             |                | 263,486     | 116,216      |               | 15,832,787         | 22,777,695   |
| Assets Previously not recognised                                  |                 |      |             |                | 1,498,075   |              |               | (17,388,111)       | 0            |
| Disposal of Assets  |                 |      |             |                |             |              |               | 0                  | 0            |
| Change in Policy  |                 |      |             |                |             |              |               | 0                  | 0            |
| Change in Accounting Policy                                       |                 |      |             |                |             |              |               |                    |              |
| Depreciation  |                 |      |             |                |             |              |               |                    | 0            |
| Change in accounting Estimates                                    |                 |      |             |                | (346,407)   | (737,092)    | (245,945)     |                    | (3,731,205)  |
| Carrying Value of disposals                                       |                 |      | (186,368)   | (2,215,393)    |             | 25,988       | 37,657        | 0                  | (2,392,631)  |
| Cost  | 0               |      | 0           | 0              | 0           | (340,702)    | 0             |                    | (340,702)    |
| Accumulated depreciation  |                 |      |             |                |             | (2,289,062)  |               |                    | (2,289,062)  |
|   |                 |      |             |                |             | 1,948,360    |               |                    | 1,948,360    |
| <b>Carrying Values at 30 June 2013</b>                            |                 |      |             |                |             |              |               |                    |              |
| Cost  | 250,000         |      | 4,444,379   | 39,476,378     | 8,913,678   | 3,783,610    | 284,898       | 15,832,788         | 72,966,732   |
| Accumulated depreciation  | 250,000         |      | 5,591,040   | 49,511,025     | 10,709,593  | 7,369,482    | 886,530       | 15,832,788         | 90,180,448   |
|   | 0               |      | (1,146,661) | (10,034,647)   | (1,795,905) | (3,815,871)  | (601,632)     | 0                  | (17,194,716) |

**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

Note  
2014  
R

**11 INVESTMENT PROPERTY**

**11.1 Reconciliation of carrying value**

|  | Investment property<br>R | Total<br>R     |
|--|--------------------------|----------------|
| Accumulated depreciation and impairment losses | (66,623)                 | (66,623)       |
| <b>as at 1 July 2013</b>                       | <b>277,259</b>           | <b>277,259</b> |
| Cost   | 343,882                  | 343,882        |
| Accumulated depreciation and impairment losses | (66,623)                 | (66,623)       |
| Acquisitions                                   | -                        | -              |
| Depreciation                                   | (22,925)                 | (22,925)       |
| Carrying value of disposals                    |                          |                |
| Cost   |                          |                |
| Accumulated depreciation                       |                          |                |
| <b>as at 30 June 2014</b>                      | <b>254,334</b>           | <b>254,334</b> |
| Cost   | 343,882                  | 343,882        |
| Accumulated depreciation and impairment losses | (89,548)                 | (89,548)       |
| <b>as at 1 July 2012</b>                       | <b>253,866</b>           | <b>253,866</b> |
| Cost   | 300,000                  | 300,000        |
| Accumulated depreciation and impairment losses | (46,134)                 | (46,134)       |
| Acquisitions                                   | -                        | -              |
| Depreciation                                   | 43,882                   | 43,882         |
| Carrying value of disposals                    | (20,489)                 | (20,489)       |
| Cost   | -                        | -              |
| Accumulated depreciation                       | -                        | -              |
| <b>as at 30 June 2013</b>                      | <b>277,259</b>           | <b>277,259</b> |
| Cost   | 343,882                  | 343,882        |
| Accumulated depreciation and impairment losses | (66,623)                 | (66,623)       |
| Accumulated depreciation and impairment losses | -66,623                  | -66,623        |

**11.2 Investment property pledged as security-not applicable.**

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**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**12 INTANGIBLE ASSETS**

|  | 2014                  |                    |
|--|-----------------------|--------------------|
| <b>12.1 Reconciliation of carrying value</b> | <b>Software<br/>R</b> | <b>Total<br/>R</b> |
| <b>as at 1 July 2013</b>                     | <b>9,719</b>          | <b>9,719</b>       |
| Cost/Revaluation                             | 22,089                | 22,089             |
| Accumulated amortisation.                    | (12,370)              | (12,370)           |
| Acquisitions                                 | 170,000               | 170,000            |
| Amortisation                                 | (45,089)              | (45,089)           |
| Carrying value of disposals                  | -                     | -                  |
| Cost   |                       |                    |
| Accumulated amortisation.                    |                       |                    |
| Impairment loss/Reversal of impairment loss  | -                     | -                  |
| Transfers                                    | -                     | -                  |
| Other movements                              | -                     | -                  |
| <b>as at 30 June 2014</b>                    | <b>134,630</b>        | <b>134,630</b>     |
| Cost/Revaluation                             | 192,089               | 192,089            |
| Accumulated amortisation.                    | (57,459)              | (57,459)           |
| <b>as at 1 July 2012</b>                     | <b>17,082</b>         | <b>17,082</b>      |
| Cost/Revaluation                             | 22,089                | 22,089             |
| Accumulated amortisation.                    | (5,007)               | (5,007)            |
| Acquisitions                                 | -                     | -                  |
| Amortisation                                 | (7,363)               | (7,363)            |
| Carrying value of disposals                  | -                     | -                  |
| Cost   | -                     | -                  |
| Accumulated amortisation.                    | -                     | -                  |
| Impairment loss/Reversal of impairment loss  | -                     | -                  |
| Transfers                                    | -                     | -                  |
| Other movements                              | -                     | -                  |
| <b>as at 30 June 2013</b>                    | <b>9,719</b>          | <b>9,719</b>       |
| Cost/Revaluation                             | 22,089                | 22,089             |
| Accumulated amortisation.                    | (12,370)              | (12,370)           |

**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

| 13 HERITAGE ASSETS                                       | 2014       | 2013       |
|--|------------|------------|
| 13.1 Reconciliation of carrying value                    | Total<br>R | Total<br>R |
| as at 1 July 2013  | -          | -          |
| Cost/Revaluation   | -          | -          |
| Accumulated amortisation.                                | -          | -          |
| Acquisitions   | -          | -          |
| Amortisation   | -          | -          |
| Carrying value of disposals                              | -          | -          |
| Cost   | -          | -          |
| Accumulated amortisation.                                | -          | -          |
| Impairment loss/Reversal of impairment loss              | -          | -          |
| Transfers  | -          | -          |
| Expenditure  | -          | -          |
| as at 30 June 2014                                       | -          | -          |
| Cost/Revaluation   | -          | -          |
| Accumulated amortisation.                                | -          | -          |
| as at 1 July 2012  | 676,880    | 676,880    |
| Cost/Revaluation   | 676,880    | 676,880    |
| Accumulated amortisation.                                | -          | -          |
| Acquisitions   | -          | -          |
| Amortisation   | -          | -          |
| Carrying value of disposals                              | -          | -          |
| Cost   | -          | -          |
| Accumulated amortisation.                                | -          | -          |
| Impairment loss/Reversal of impairment loss              | -          | -          |
| Heritage asset removed from asset register (Restatement) | (676,880)  | (676,880)  |
| Other movements  | -          | -          |
| as at 30 June 2013                                       | -          | -          |

**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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|  | 2014<br>R      | RESTATED<br>2013<br>R |
|--|----------------|-----------------------|
| <b>14. INVESTMENT PROPERTIES</b>   |                |                       |
| Carrying Value Opening Balance   | 277,259        | 277,259               |
| Loss on valuation  | (22,925)       | -                     |
| Gain on valuation  | -              | -                     |
| Sale of properties   | -              | -                     |
| Transfer from Property, Plant and Equipment  | -              | -                     |
| Carrying value at date of transfer   | -              | -                     |
| Market valuation at date of transfer   | -              | -                     |
| Fair value adjustments   | -              | -                     |
| Carrying Values Closing Balance  | <u>254,334</u> | <u>277,259</u>        |
| The fair value of these properties as valued by Council's valuer at 30 June 2014 amounts to  | <u>254,334</u> | <u>277,259</u>        |
| Rental income derived from these properties amount to  | <u>102,952</u> | <u>76,993</u>         |
| Details of investment properties are included in a register which is available for inspection at the municipal offices                           |                |                       |
| <b>15.0 INVENTORIES</b>  |                |                       |
| Consumable stores - at cost  | <u>69,206</u>  | <u>175,193</u>        |
| Fuel   | 48,645         | 139,890               |
| Oil  | 2,376          | 2,376                 |
| Others   | 18,185         | 32,927                |
| Physical stock counts are carried out on 30 June 2014.   |                |                       |
| Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. |                |                       |
| <b>16. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>  |                |                       |
| Electricity  | 1,369          | 1,406                 |
| Refuse   | 782,110        | 612,398               |
| Consumer debtors for VAT   | 145,765        | 123,339               |
| <b>Total service debtors</b>   | <u>929,244</u> | <u>737,143</u>        |
| Less: Allowance for impairment   | -822,327       | -544,059              |
| <b>Total</b>   | <u>106,917</u> | <u>193,084</u>        |
| <b>Electricity: Ageing</b>   |                |                       |
| Current (0 – 30 days)  |                | -                     |
| 31 - 60 Days   |                | -                     |
| 61 - 90 Days   |                | -                     |
| 91 - 120 Days  |                | -                     |
| Greater than 120 days  | 1,369          | 1,406                 |
| <b>Total</b>   | <u>1,369</u>   | <u>1,406</u>          |

INDAKA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

|   | 2014<br>R      | RESTATED<br>2013<br>R |
|---|----------------|-----------------------|
| <b>16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b> |                |                       |
| <i><b>Refuse: Ageing</b></i>                                  |                |                       |
| Current (0 – 30 days)   | 18,480         | 14,860                |
| 31 - 60 Days  | 18,216         | 14,656                |
| 61 - 90 Days  | 18,208         | 14,647                |
| 91 - 120 Days   | 18 185         | 14,640                |
| Greater than 120 days   | 709 021        | 553,795               |
| <b>Total</b>  | <b>782,110</b> | <b>612,398</b>        |
| <i><b>Vat: Ageing</b></i>                                     |                |                       |
| Current (0 – 30 days)   | 2,596          | 2,047                 |
| 31 - 60 Days  | 2,557          | 2 046                 |
| 61 - 90 Days  | 2,555          | 2 045                 |
| 91 - 120 Days   | 2 552          | 2,044                 |
| Greater than 120 days   | 135 505        | 115,157               |
| <b>Total</b>  | <b>145,765</b> | <b>123,339</b>        |
| <b><u>Reconciliation of the Allowance for Impairment</u></b>  |                |                       |
| Balance at beginning of the year                              | 1,341,998      | 752,336               |
| Receivables from exchange transactions                        | 544,059        | 305,374               |
| Receivables from non-exchange transactions                    | 797,939        | 446,962               |
| (Release from) / Contribution to provision                    | 619,004        | 589,662               |
| Receivables from exchange transactions                        | 278,268        | 238 585               |
| Receivables from non-exchange transactions                    | 340,736        | 350,977               |
|   | 619,004        | 589,662               |
| Vat on trade receivables from exchange transactions           | -              | -                     |
| Vat on trade receivables from non-exchange transactions       | -              | -                     |
| Receivables from exchange transactions                        | 822,327        | 544,059               |
| Receivables from non-exchange transactions                    | 1,138,675      | 797,939               |
| Balance at end of year  | 1,961,002      | 1,341,998             |
| Bad debts written off   | -              | -                     |
| <b>17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>         |                |                       |
| Rates   | 1,708,681      | 1,042,254             |
| Other debtors   | 4,010          | 348,554               |
| Accrued interest  | 194,173        | 383,457               |
| Deposits Paid   | 12,940         | 12,940                |
| Add back credits included above                               | 14,122         | 233,472               |
|   | 1,933,925      | 2,018,678             |
| Less: Allowance for impairment                                | -1,138,675     | -797,939              |
| <b>Total Other Debtors</b>                                    | <b>795,250</b> | <b>1,220,739</b>      |



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|  | 2014<br>R         | RESTATED<br>2013<br>R |
|--|-------------------|-----------------------|
| <b>17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)</b>  |                   |                       |
| <i><b>Rates: Ageing</b></i>  |                   |                       |
| Current (0 – 30 days)  | 53,055            | 66 811                |
| 31 - 60 Days   | 53 038            | 66,811                |
| 61 - 90 Days   | 53 038            | 66,811                |
| 91 - 120 Days  | 53,133            | 66 811                |
| Greater than 120 days  | 1,510,538         | 1,008,484             |
| <b>Total</b>   | <b>1,722,803</b>  | <b>1,275,726</b>      |
| <i><b>Add back credits included above: Ageing</b></i>              |                   |                       |
| Current (0 – 30 days)  | 0                 | -815                  |
| 31 - 60 Days   | 0                 | -617                  |
| 61 - 90 Days   | -223              | -78                   |
| 91 - 120 Days  | 0                 | -2,084                |
| Greater than 120 days  | -13,899           | -230,078              |
| <b>Total</b>   | <b>-14,122</b>    | <b>-233,472</b>       |
| <b>18.0 INVESTMENTS</b>  |                   |                       |
| <b>18.1 CURRENT INVESTMENTS</b>                                    |                   |                       |
| Call investments   | 42,348,128        | 42,014,440            |
| <b>TOTAL CURRENT INVESTMENTS</b>                                   | <b>42,348,128</b> | <b>42,014,440</b>     |
| <b><u>ACCOUNT DISCRIPTION - Investments (MFMA requirement)</u></b> |                   |                       |
| <b>Investment Bank account Call Account</b>                        |                   |                       |
| Standard Bank Ladysmith  |                   |                       |
| Account Number 68522347-002 Short Term Investment Account          |                   |                       |
| Bank statement balance at the beginning of the year                | 11,210,399        | 11,302,687            |
| Bank statement balance at the end of the year                      | -                 | 11,210,399            |
| <b>Investment Bank account 6 Month Fix</b>                         |                   |                       |
| Standard Bank Ladysmith  |                   |                       |
| Account Number 068522347003 Short Term Investment Account          |                   |                       |
| Bank statement balance at the beginning of the year                | -                 | 15 000,000            |
| Bank statement balance at the end of the year                      | -                 | -                     |
| <b>Investment Bank account 3 Month Fix</b>                         |                   |                       |
| Standard Bank Ladysmith  |                   |                       |
| Account Number 068522347006 Short Term Investment Account          |                   |                       |
| Bank statement balance at the beginning of the year                | 30,804 041        | -                     |
| Bank statement balance at the end of the year                      | -                 | 30,804,041            |
| <b>Investment Bank account 6 Month Fix</b>                         |                   |                       |
| First National Bank Ladysmith                                      |                   |                       |
| Account Number 74461862953 120 days Short Term Investment Account  |                   |                       |
| Bank statement balance at the beginning of the year                | 0                 | 0                     |
| Bank statement balance at the end of the year                      | 10,000,000        | -                     |
| <b>Investment Bank account Call Account</b>                        |                   |                       |
| Standard Bank Ladysmith  |                   |                       |
| Account Number 068522347-010 Short Term Investment Account         |                   |                       |
| Bank statement balance at the beginning of the year                |                   |                       |
| Bank statement balance at the end of the year                      | 32,348,128        |                       |

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for the year ended 30 June 2014

|   | 2014<br>R          | RESTATED<br>2013<br>R |
|---|--------------------|-----------------------|
| <b>19.0 BANK BALANCES AND CASH</b>                        |                    |                       |
| Cash and cash equivalents consist of the following        |                    |                       |
| Cash on hand  | 60,824,558         | 20,692,740            |
| Petty Cash  | 1,000              | 1,000                 |
|   | <u>60,825,558</u>  | <u>20,693,740</u>     |
| The Municipality has the following main bank accounts: -  |                    |                       |
| <b><u>Primary Bank Account</u></b>                        |                    |                       |
| Standard Bank Ladysmith Branch Account Number 60157259    |                    |                       |
| Cash book balance at beginning of year                    | 20,742,075         | 1,579,678             |
| Cash book balance at end of year                          | <u>60,824,558</u>  | <u>20,742,075</u>     |
| Bank statement balance at beginning of year               | 20,742,075         | 2,940,897             |
| Bank statement balance at end of year                     | <u>60,824,558</u>  | <u>20,742,075</u>     |
| Petty cash and cash on hand                               | <u>1,000</u>       | <u>1,000</u>          |
| <b>Total bank, cash and overdraft balances.</b>           | <u>60,825,558</u>  | <u>20,743,075</u>     |
| <b>20.0 PROPERTY RATES</b>                                |                    |                       |
| <b><u>Actual</u></b>                                      |                    |                       |
| Residential   | 2,502,108          | 2,372,689             |
| Business  | 201,616            | 193,892               |
| Agriculture   | 299,008            | 272,332               |
| PSI   | 503                | 465                   |
| Vacant Land   | 287,792            | 273,416               |
| Place of Worship  | 17,550             | 16,900                |
| Other   | 2,246,015          | 1,991,656             |
| <b>Total property rates</b>                               | <u>5,554,592</u>   | <u>5,121,370</u>      |
| Property rates - penalties imposed and collection charges |                    |                       |
| <b>Total</b>  | <u>5,554,592</u>   | <u>5,121,370</u>      |
| Rates Rebate  | -786,851           | -1,793,654            |
| Rates impermissible                                       | -2,578,555         | -1,692,635            |
| <b>Total</b>  | <u>-3,365,406</u>  | <u>-3,486,189</u>     |
| Adjustments   | -                  | -                     |
|   | <u>2,189,186</u>   | <u>1,635,181</u>      |
| <b><u>Valuations</u></b>                                  |                    |                       |
| Residential   | 215,699,000        | 215,699,000           |
| Business  | 11,751,000         | 11,751,000            |
| Agriculture   | 104,743,000        | 104,743,000           |
| Place of Worship  | 6,500,000          | 6,500,000             |
| Other   | 142,208,000        | 142,208,000           |
| Vacant Land   | 21,032,000         | 21,032,000            |
| P S I   | 186,500            | 186,500               |
| <b>Total Property Valuations</b>                          | <u>502,119,500</u> | <u>502,119,500</u>    |

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|  | 2014<br>R         | RESTATE<br>2013<br>R |
|--|-------------------|----------------------|
| Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2011.   |                   |                      |
| Assessment rates: Cents in the rand on market valuation as follows:  |                   |                      |
| Residential  | 0 0116            | 0 0110               |
| Agricultural   | 0 00274           | 0 0026               |
| Business   | 0 0174            | 0 0165               |
| Place of Worship   | 0 0000            | 0 0000               |
| Vacant Land  | 0 0116            | 0 0110               |
| Other  | 0 0158            | 0 0150               |
| Public service infrastructure  | 0 0027            | 0 0026               |
| The first R120 000 of the valuation of residential properties are exempt from the calculation of rates.  |                   |                      |
| Impermissible.   |                   |                      |
| Residential property   | 135,000           | 15,000               |
| Public service infrastructure  | 0                 | 0                    |
| Place of Worship   | 0                 | 0                    |
| <b>21.0 SERVICE CHARGES</b>  |                   |                      |
| Refuse removal   | 221,852           | 178,809              |
| <b>Total Service Charges</b>   | <b>221,852</b>    | <b>178,809</b>       |
| The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs. |                   |                      |
| <b>22.0 GOVERNMENT GRANTS AND SUBSIDIES</b>  |                   |                      |
| Equitable Share  | 63,188,116        | 59,589,000           |
| Finance Management Grant   | 1,565,135         | 1,418,194            |
| MSIG Reserves  | 821,415           | 555,867              |
| MIG  | 21,222,158        | 16,623,848           |
| EPWP Grant   | 762,390           | 0                    |
| DOE Electrification Grant  | 1,764,046         | 4,593,913            |
| Operating Grants   | 514,000           |                      |
| <b>Total Conditional Grants and Receipts</b>   | <b>89,837,260</b> | <b>82,780,822</b>    |
| Operating Grants   |                   | 263,000              |
| MSIG Grant repaid to Treasury  | 289,425           | 2,900,000            |
| FMG Grant repaid to Treasury   | 172,692           |                      |
| DOE Grant repaid to Treasury   | 1,429,000         |                      |
| <b>Sub Grant Expenditure</b>   | <b>91,728,377</b> | <b>85,943,822</b>    |
| <b>Grants</b>  |                   |                      |
| Less Operating Grant   | 514,000           | 263,000              |
| <b>Total grants received.</b>  | <b>91,214,377</b> | <b>85,680,822</b>    |
| <b>22.1 Equitable Share</b>  |                   |                      |
| Balance unspent at beginning of year   | -                 | 0                    |
| Current year receipts  | 63,188,116        | 59,589,000           |
| Conditions met - transferred to revenue  | -63,188,116       | -59,589,000          |
|  | -                 | -                    |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.   |                   |                      |

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|  | 2014<br>R      | RESTATE<br>2013<br>R |
|--|----------------|----------------------|
| <b>22.2 Backlog Infrastructure Grant.</b>                    |                |                      |
| Balance unspent at beginning of year                         | 80,702         | 80,702               |
| Current year receipts  |                |                      |
| Conditions met - transferred to revenue                      |                |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>80,702</u>  | <u>80,702</u>        |
| <b>22.3 DBSA Feasibility Grant.</b>                          |                |                      |
| Balance unspent at beginning of year                         | 92,907         | 92,907               |
| Current year receipts  |                |                      |
| Conditions met - transferred to revenue                      |                |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>92,907</u>  | <u>92,907</u>        |
| <b>22.4 Eradicating Bucket System Grant.</b>                 |                |                      |
| Balance unspent at beginning of year                         | 671,219        | 671,219              |
| Adjustments  |                |                      |
| Current year receipts  |                |                      |
| Conditions met - transferred to revenue                      |                |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>671,219</u> | <u>671,219</u>       |
| <b>22.5 Financial Management Grant 2012/2013</b>             |                |                      |
| Balance unspent at beginning of year                         | 172,692        | 90,886               |
| Current year receipts  |                | 1,500,000            |
| Conditions met - transferred to revenue                      |                | -1,418,194           |
| Grant repaid to Treasury                                     | -172,692       |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>0</u>       | <u>172,692</u>       |
| <b>22.6 Financial Management Grant 2013/2014</b>             |                |                      |
| Balance unspent at beginning of year                         |                |                      |
| Current year receipts  | 1,650,000      |                      |
| Conditions met - transferred to revenue                      | -1,565,135     |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>84,865</u>  |                      |
| <b>22.7 Inter Departmental Planning Grant</b>                |                |                      |
| Balance unspent at beginning of year                         | 31,700         | 31,700               |
| Current year receipts  |                |                      |
| Conditions met - transferred to revenue                      |                |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>31,700</u>  | <u>31,700</u>        |
| <b>22.8 LUMS.</b>  |                |                      |
| Balance unspent at beginning of year                         | 1,112          | 1,112                |
| Adjustments  |                |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>1,112</u>   | <u>1,112</u>         |
| <b>22.9 MSIG.-Uthukela.</b>                                  |                |                      |
| Balance unspent at beginning of year                         | 56,126         | 56,126               |
| Adjustments  |                |                      |
| Current year receipts  |                |                      |
| Conditions met - transferred to revenue                      |                |                      |
| Conditions still to be met - remain liabilities (see note 8) | <u>56,126</u>  | <u>56,126</u>        |

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|  | 2014<br>R        | RESTATE<br>2013<br>R |
|--|------------------|----------------------|
| <b>22.10 D O E Electrification Grant</b>                           |                  |                      |
| Balance unspent at beginning of year                               |                  |                      |
| Current year receipts  | 1,427,851        | 1,021,764            |
| Conditions met - transferred to revenue                            | 7,000,000        | 5,000,000            |
| Grant refunded to Treasury 2011/2012                               | -1,764,046       | -4,593,913           |
| Grant refunded to Treasury 2012/2013                               | -1,022,000       |                      |
| Conditions still to be met - remain liabilities (see note 8)       | -407,000         |                      |
|  | <u>5,234,805</u> | <u>1,427,851</u>     |
| <b>22.11 MSIG</b>  |                  |                      |
| Balance unspent at beginning of year                               |                  |                      |
| Current year receipts  | 289,425          | 45,292               |
| Conditions met - transferred to revenue                            | 890,000          | 800,000              |
| Grant refunded to Treasury 2012/2013                               | -821,415         | -555,867             |
| Conditions still to be met - remain liabilities (see note 8)       | -289,425         |                      |
|  | <u>68,585</u>    | <u>289,425</u>       |
| <b>22.12 MIG. 2012/2013</b>  |                  |                      |
| Balance unspent at beginning of year                               |                  |                      |
| Current year receipts - transfer from 22.12                        | 5,967,065        | 0                    |
| Conditions met - transferred to revenue                            | 1,053,330        | 20,343,000           |
| Roll Over  | -5,865,961.94    | -16,623,848          |
| Grant Recovered  |                  | 2,247,913            |
| Conditions still to be met - remain liabilities (see note 8)       |                  |                      |
|  | <u>1,154,433</u> | <u>5,967,065</u>     |
| <b>22.13 MIG.Prior</b>   |                  |                      |
| Balance unspent at beginning of year                               |                  |                      |
| Current year receipts  | 1,053,330        | 6,201,243            |
| Conditions met - transferred to revenue                            |                  | 0                    |
| Grant Roll over transferred to 22.11                               |                  | 0                    |
| Grant Recovered  | -1,053,330       | -2,247,913           |
| Conditions still to be met - remain liabilities (see note 8)       |                  | -2,900,000           |
|  | <u>0</u>         | <u>1,053,330</u>     |
| <b>22.14 MIG.2013/2014</b>   |                  |                      |
| Balance unspent at beginning of year                               |                  |                      |
| Current year receipts  |                  |                      |
| Conditions met - transferred to revenue                            | 20,464,000       |                      |
| Conditions still to be met - remain liabilities (see note 8)       | -15,356,195      |                      |
|  | <u>5,107,805</u> |                      |
| <b>22.15 EPWP</b>  |                  |                      |
| Balance unspent at beginning of year                               |                  |                      |
| Current year receipts  |                  |                      |
| Conditions met - transferred to revenue                            | 1,000,000        |                      |
| Conditions still to be met - remain liabilities (see note 8)       | -762,390         |                      |
|  | <u>237,610</u>   |                      |
| <b>23.0 EMPLOYEE RELATED COSTS</b>                                 |                  |                      |
| Employee related costs - Salaries and Wages, Bonuses               | 8,017,849        | 7,313,672            |
| Employee related costs - Contributions for UIF, pensions           | 748,406          | 695,830              |
| Travel, motor car, accommodation, subsistence and other allowances | 297,536          | 304,887              |
| Medical Aid Contributions  | 138,606          | 119,092              |
| Housing benefits and allowances                                    | 46,874           | 48,339               |
| Overtime payments  | 3,220            | 5,159                |
| Performance and other bonuses                                      |                  | 590,791              |
| Long-service awards  |                  | -                    |
| Other employee related costs                                       | 4,286            | 22,950               |
| <b>Total Employee Related Costs</b>                                | <u>9,256,777</u> | <u>9,100,720</u>     |
| Recharged to other departments                                     | 0                | 0                    |
| <b>Total Employee Related Costs</b>                                | <u>9,256,777</u> | <u>9,100,720</u>     |
| <b>Remuneration of the Municipal Manager</b>                       |                  |                      |
| Annual Remuneration  | 525,000          | 506,250              |
| Performance- and other bonuses                                     | 0                | 70,000               |
| Travel, motor car, accommodation, subsistence and other allowances | 199,200          | 168,750              |
| Contributions to UIF, Medical and Pension Funds                    | 8,753            | 1,617                |
| <b>Total</b>   | <u>732,953</u>   | <u>746,617</u>       |

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|   | 2014<br>R                           | RESTATED<br>2013<br>R           |
|---|-------------------------------------|---------------------------------|
| <b>Remuneration of the Chief Finance Officer</b>  |                                     |                                 |
| Annual Remuneration   | 198,333                             | 0                               |
| Performance- and other bonuses  | -                                   | -                               |
| Travel, motor car, accommodation, subsistence and other allowances  | 7,200                               | 0                               |
| Contributions to UIF, Medical and Pension Funds   | 2,676                               | 0                               |
| <b>Total</b>  | <u>208,209</u>                      | <u>0</u>                        |
| <b>Appointed February 2014</b>  |                                     |                                 |
| <br><b>Remuneration of Individual Executive Directors</b>   |                                     |                                 |
|   | <b>Technical<br/>Services<br/>R</b> | <b>Corporate Services<br/>R</b> |
| <b>2014</b>   |                                     |                                 |
| Annual Remuneration   | 547,800                             | 119,094                         |
| Performance- and other bonuses  | -                                   | -                               |
| Travel, motor car, accommodation, subsistence and other allowances  | 69,600                              | 35,056                          |
| Contributions to UIF, Medical and Pension Funds   | 7,935                               | 1,969                           |
| <b>Total</b>  | <u>625,335</u>                      | <u>156,119</u>                  |
|   |                                     | <b>Appointed April<br/>2014</b> |
| <br><b>2013</b>   |                                     |                                 |
| Annual Remuneration   | 398,400                             | 344,000                         |
| Performance- and other bonuses  | -                                   | -                               |
| Travel, motor car, accommodation, subsistence and other allowances  | -                                   | 96,000                          |
| Contributions to UIF, Medical and Pension Funds   | 1,118                               | 1,118                           |
| <b>Total</b>  | <u>399,518</u>                      | <u>441,118</u>                  |
|   | <b>R</b>                            | <b>R</b>                        |
| <b>24.0 REMUNERATION OF COUNCILLORS</b>   |                                     |                                 |
| Mayor   | 623,816                             | 591,787                         |
| Deputy Mayor  | 503,226                             | 477,198                         |
| Speaker   | 503,227                             | 477,198                         |
| Executive Committee Members   | 539,169                             | 495,199                         |
| Councillors   | 2,956,051                           | 2,738,882                       |
| <b>Total Councillors' Remuneration</b>  | <u>5,125,489</u>                    | <u>4,780,264</u>                |
| <b>In-kind Benefits</b>   |                                     |                                 |
| The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.                                      |                                     |                                 |
| The Mayor is in title the use of the Council owned vehicle for official duties. The Mayor is entitled to VIP protection, driver and secretary to support the Mayors office. |                                     |                                 |
| <b>25.0 FINANCE COSTS</b>   |                                     |                                 |
| Interest on external loan DBSA  | 187,636                             | 185,897                         |
| Interest on external loan Wesbank   | -                                   | -                               |
| Interest on Fintech Lease   | 26,326                              | 59,028                          |
| <b>Total Finance Costs</b>  | <u>213,962</u>                      | <u>254,925</u>                  |
| <b>26.0 CONTRACTED SERVICES</b>   |                                     |                                 |
| Contracted services for:  |                                     |                                 |
| Internal Audit  | 1,715,382                           | 1,314,449                       |
| Refuse Removals   | 718,087                             | 659,587                         |
| Security Services   | 2,280,959                           | 2,059,720                       |
| Other   | 335,539                             | 579,752                         |
|   | <u>5,049,968</u>                    | <u>4,613,508</u>                |
| <b>27.0 GRANT EXPENDITURE</b>   |                                     |                                 |
| Grant Expenditure   | 3,293,898                           | 2,520,813                       |
|   | <u>3,293,898</u>                    | <u>2,520,813</u>                |

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|  | 2014<br>R        | RESTATED<br>2013<br>R |
|--|------------------|-----------------------|
| <b>28.0 GENERAL EXPENSES</b>                     |                  |                       |
| Included in general expenses are the following:- |                  |                       |
| Access and licence fees (CICS)                   | 122,323          | 24,413                |
| Advertisement                                    | 110 049          | 131 058               |
| Assets under R 5000 00                           | 25,699           | 2,887                 |
| Audit Committee & Internal Audit Map             |                  | 1,243,290             |
| Audit fees                                       | 764,715          |                       |
| Bank Charges                                     | 32,037           | 32,748                |
| Bus fares  |                  | 47,940                |
| Cellphones                                       | 85 470           | 39 010                |
| Cleaning Materials                               | 7,158            | 22,920                |
| Computer Equipment                               |                  | 17,501                |
| Conferences and seminars                         | 103,807          | 3,722                 |
| Contributions                                    |                  | 147,621               |
| Electricity                                      | 569,901          | 582,348               |
| Entertainment                                    | 82,394           | 39,564                |
| Fuel & Lubricants                                | 310,198          | 343,119               |
| HIV/AIDS   | 9,300            | 700                   |
| IDP Spatial Development                          | 319,000          | 175,439               |
| Infrastructure plan.                             | 275,000          |                       |
| Insurance  | 381,801          | 336,012               |
| Landfill Site                                    | 152,000          |                       |
| Legal Costs                                      | 361 645          | 315,865               |
| Planning IDP, review                             | 175,439          |                       |
| Ploughing Project                                |                  | 204,892               |
| PMU Costs  | 54,116           | 527,949               |
| Postage  | 1,575            | 1,289                 |
| Printing and Stationery                          | 119,925          | 148,512               |
| Protective Clothing                              | 18,658           | 9,991                 |
| Public participation /Speaker                    |                  | 83,707                |
| Purchase of tools                                | 1,670            | 490                   |
| Recruitment of staff.                            | 8,890            |                       |
| Registration & License Fees                      | 27,283           | 34,120                |
| Report on Landfill Site                          |                  | 50,000                |
| Rental Office Machinery                          | 393,081          | 339 009               |
| Rural development strategy.                      | 209,400          |                       |
| SALGA Membership                                 | 450,000          |                       |
| Skills Development Levy                          | 126,228          | 124,447               |
| Skills recognition                               | 10,800           |                       |
| Street Lighting                                  |                  | 21,000                |
| Subsistence and traveling                        | 123 077          | 140,874               |
| Support and maintenance                          | 448,422          | 387,859               |
| Telephones                                       | 367,013          | 253,642               |
| Training Councilors                              |                  | 30,000                |
| Training Staff Members                           | 294,242          | 39,357                |
| Ward Committees                                  | 1,135,000        | 1,166,000             |
| Waste management plan.                           | 389,000          |                       |
| Capacity Building                                | 3,738            |                       |
| Hiring equipment                                 | 251,834          |                       |
| Sundries   |                  | 278,768               |
|  | <b>8,321,888</b> | <b>7,338,073</b>      |

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for the year ended 30 June 2014

|  | 2014<br>R        | RESTATED<br>2013<br>R |
|--|------------------|-----------------------|
| <b>29.0 FINANCE LEASE LIABILITY</b>  |                  |                       |
| GRAP 13, paragraph 12 Leases, When the lease term is for the major part of the economic life of the asset even if title is not transferred or at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset the asset should be classfied as a finance lease |                  |                       |
| Within one year  |                  | 221,616               |
| In the second to fifth year inclusive  |                  | 95,903                |
| After five years   | -                | -                     |
| Future Finance charged on finance leases   |                  | -28,539               |
| <b>Total</b>   | <b>0</b>         | <b>288,980</b>        |
| The present value of finance lease liabilities is as follows:  |                  |                       |
| Within one year  | 93,691           | 195,289               |
| In the second to fifth year inclusive  |                  | 93,691                |
| After five years   |                  |                       |
| <b>Total</b>   | <b>93,691</b>    | <b>288,980</b>        |
| <b>30.0 RENTAL OF FACILITIES AND EQUIPMENT</b>   |                  |                       |
| Investment Property  | 102,952          | 76,993                |
| Other rentals  | -                | 0                     |
| <b>Total rentals</b>   | <b>102,952</b>   | <b>76,993</b>         |
| <b>31.0 INTEREST EARNED - EXTERNAL INVESTMENTS</b>   |                  |                       |
| Investments  | 3,876,256        | 1,790,234             |
| <b>Total interest</b>  | <b>3,876,256</b> | <b>1,790,234</b>      |
| <b>32.0 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>   |                  |                       |
| <b>32.1 Other Income</b>   |                  |                       |
| Miscellaneous  | 21,126           | 21,016                |
| Tender Documents   | 77,501           | 60,571                |
| Burial Fees  | 14,660           | 13,376                |
| Site clearance   | 79               |                       |
| <b>Total Other Income</b>  | <b>113,366</b>   | <b>94,963</b>         |
| <b>33.0 DEPRECIATION AND AMORTISATION EXPENSE</b>  |                  |                       |
| Property plant and equipment   | 9,731,953        | 3,751,694             |
| Property, plant and equipment-Returned Assets  | 5,818            |                       |
| Investment Property  | 22,925           |                       |
| Change in Accounting Estimates   |                  | 2,332,631             |
| Intangible assets  | 45,089           | 7,363                 |
| <b>Total Depreciation and Amortisation</b>   | <b>9,805,785</b> | <b>6,091,688</b>      |



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|   | 2014<br>R          | RESTATED<br>2013<br>R |
|---|--------------------|-----------------------|
| <b>34.0 CASH GENERATED BY OPERATIONS</b>  |                    |                       |
| Cash generated from operations  |                    |                       |
| Surplus for the year  | 53,238,700         | 50,514,589            |
| Adjustments for:  |                    |                       |
| Investment Income   | -3 876,256         | -1 790 234            |
| Bad Debts   |                    | 589,672               |
| Depreciation  | 9 805 786          | 6,091,688             |
| Interest Paid   | 213 962            | 254 850               |
| Loss on sale of PPE   |                    | 79 303                |
| Contributions non-current provisions  | -182 000           | 250,000               |
| Contributions current provisions.   | 363,432            | 318,551               |
| <b>Operating surplus before working capital changes</b>   | <b>59,563,624</b>  | <b>56,308,419</b>     |
| Receivables from exchange transactions  | 86,167             | -538 344              |
| Receivables from non-exchange transactions.   | 425,489            | -935,780              |
| Decrease/increase in un-spent conditional grants.   | 2,977,740          | 1,551,178             |
| Decrease/ increase in inventories.  | 105 987            | -159,723              |
| Decrease/increase in creditors  | -4,042,875         | 1,438,910             |
| Decrease/increase in val.   | 1,620,633          | -1,395,395            |
| Decrease/increase Housing Development   | 35,534             | -35,482               |
| Appropriations  |                    |                       |
| Cash generated from operations.   | <b>60,772,300</b>  | <b>56,233,783</b>     |
| <b>35.0 CASH AND CASH EQUIVALENTS</b>   |                    |                       |
| Cash and cash equivalents included in the cash flow statement comprise the following:   |                    |                       |
| Bank balances and cash  | 60,824,558         | 20,893,740            |
| Call Investment Deposits  | 42,348,128         | 42,014,440            |
| Petty Cash  | 1 000              | 1,000                 |
| <b>Net cash and cash equivalents</b>  | <b>103,173,686</b> | <b>62,709,180</b>     |
| <b>36.0 CHANGE IN ESTIMATE.</b>   |                    |                       |
| <b>2014</b>   |                    |                       |
| The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and/or changes to existing policies:       |                    |                       |
| Computer equipment accumulated depreciation   | -1,234             |                       |
| Furniture & Fittings accumulated depreciation   | -5 596             |                       |
|   | <b>-6,830</b>      |                       |
| <b>36.1 CHANGE IN ACCOUNTING POLICY.</b>  |                    |                       |
| <b>2013</b>   |                    |                       |
| The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and/or changes to existing policies:       |                    |                       |
| During the year the Municipality reviewed and changed its accounting policy with respect to the threshold of Capitalizing assets over R5000-00 and keeping an inventory of assets under R 5000 00                               |                    |                       |
| Decrease in Computer equipment  | -                  | -176,048              |
| Computer equipment accumulated depreciation   | -                  | 122,312               |
| Decrease in Furniture & Fittings.   | -                  | -676,269              |
| Furniture & Fittings accumulated depreciation   | -                  | 437,893               |
| Decrease in Office equipment  | -                  | -256,391              |
| Office equipment accumulated depreciation   | -                  | 102,684               |
| Decrease in Plant & equipment.  | -                  | -2,241                |
| Plant & equipment accumulated depreciation  | -                  | 1,069                 |
|   | <b>-</b>           | <b>-446,990</b>       |
| <b>2014</b>   |                    |                       |
| The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and/or changes to existing policies:Grp 25 |                    |                       |
| Post Retirement Benefits- GRAP 25.  | 68,000             |                       |
| Intangible Assets GRAP 31   | 124,911            |                       |
|   | <b>192,911</b>     | <b>-</b>              |

INDAKA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

|  | 2014<br>R | RESTATED<br>2013<br>R |
|--|-----------|-----------------------|
|--|-----------|-----------------------|

37.0 CORRECTION OF ERRORS

The comparatives to 2012/2013 have been restated in respect of the following errors.

| 37.1 | Statement of Financial Performance | As Previously Reported | Correction of Errors. | Restated          |
|------|------------------------------------|------------------------|-----------------------|-------------------|
|      | Property rates                     | 1,776,645              | -141,464              | 1,635,181.46      |
|      | Service charges                    | 178,809                | -40,663               | 138,146.62        |
|      | <b>Total Revenue</b>               | <b>87,001,817</b>      | <b>-182,127</b>       | <b>86,819,690</b> |
|      | Finance Charges                    | 254,850                | 75                    | 254,925           |
|      | Repairs and maintenance            | 386,105                | -185                  | 385,920           |
|      | General expenses                   | 7,470,755              | -132,682              | 7,338,073         |
|      |                                    | <b>36,487,229</b>      | <b>-132,792</b>       | <b>36,354,437</b> |
|      | <b>Surplus/Deficit</b>             | <b>50,514,588</b>      | <b>-49,335</b>        | <b>50,465,253</b> |

Details of re-statements

| Property Rates                          | As Previously Reported. | Corrections     | Re-Stattd.       |
|---|-------------------------|-----------------|------------------|
| Property Rates                          | 1,776,645               | -141,464        | 1,635,181        |
| Reversed charges on Municipal property. | <b>1,776,645</b>        | <b>-141,464</b> | <b>1,635,181</b> |

| Service Charges                         | As Previously Reported. | Corrections    | Re-Stattd.     |
|---|-------------------------|----------------|----------------|
| Refuse                                  | 178,809                 | -40,663        | 138,146.62     |
| Reversed refuse charges on vacant land. | <b>178,809</b>          | <b>-40,663</b> | <b>138,147</b> |

| Finance Charges                           | As Previously Reported. | Corrections | Re-Stattd.     |
|---|-------------------------|-------------|----------------|
| DBSA charges                              | 254,850                 | 74.92       | 254,925        |
| Aligned DBSA interest with the statement. | <b>254,850</b>          | <b>75</b>   | <b>254,925</b> |

**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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| GENERAL EXPENSES   | As Previously Reported.        | 2014               | RESTATED          |
|--|--------------------------------|--------------------|-------------------|
|  |                                | R                  | 2013<br>R         |
|  |                                | Corrections        | Re-Styled.        |
| Included in general expenses are the following:-   |                                |                    |                   |
| Access and licence fees (CICS)   | 24,413                         |                    | 24,413            |
| Advertisement  | 132,130                        | -1,072             | 131,057           |
| Assets under R 5000.00   | 2,887                          |                    | 2,887             |
| Audit Committee & Internal Audit Map   | 1,243,290                      |                    | 1,243,290         |
| Bank Charges   | 32,748                         |                    | 32,748            |
| Bus fares  | 57,440                         | -9,500             | 47,940            |
| Cellphones   | 39,010                         |                    | 39,010            |
| Cleaning Materials   | 11,920                         | 11,000             | 22,920            |
| Computer Equipment   | 17,501                         |                    | 17,501            |
| Conferences and seminars   | 3,722                          |                    | 3,722             |
| Contributions  | 147,621                        |                    | 147,621           |
| Electricity  | 582,348                        |                    | 582,348           |
| Entertainment  | 39,564                         |                    | 39,564            |
| Fuel & Lubricants  | 343,119                        |                    | 343,119           |
| HIV/AIDS   | 700                            |                    | 700               |
| IDP Spatial Development  | 175,439                        |                    | 175,439           |
| Insurance  | 336,012                        |                    | 336,012           |
| Legal Costs  | 315,865                        |                    | 315,865           |
| Membership Fees  | 400,000                        | -400,000           | 0                 |
| Ploughing Project  | 204,892                        |                    | 204,892           |
| PMU Costs  | 527,949                        |                    | 527,949           |
| Postage  | 1,299                          |                    | 1,299             |
| Printing and Stationery  | 150,889                        | -2,377             | 148,512           |
| Protective Clothing  | 9,991                          |                    | 9,991             |
| Public participation /Speaker  | 83,707                         |                    | 83,707            |
| Purchase of tools  | 490                            |                    | 490               |
| Registration & License Fees  | 34,120                         |                    | 34,120            |
| Report on Landfill Site  | 50,000                         |                    | 50,000            |
| Rental Office Machinery  | 339,009                        |                    | 339,009           |
| Skills Development Levy  | 124,447                        |                    | 124,447           |
| Street Lighting  | 21,000                         |                    | 21,000            |
| Subsistence and travelling   | 150,374                        | -9,500             | 140,874           |
| Support and maintenance  | 387,859                        |                    | 387,859           |
| Telephones   | 253,642                        |                    | 253,642           |
| Training Councilors  | 30,000                         |                    | 30,000            |
| Training Staff Members   | 39,357                         |                    | 39,357            |
| Ward Committees  | 1,156,000                      |                    | 1,156,000         |
| Sundries   |                                | 278,768            | 278,768           |
|  | <b>7,470,754</b>               | <b>-132,682</b>    | <b>7,338,073</b>  |
| <b>Details of re-statements</b>  |                                |                    |                   |
| <b>Non-Current Assets</b>  | <b>As Previously Reported.</b> | <b>Corrections</b> | <b>Re-Styled.</b> |
| Heritage assets  | 676,880                        | -676,880           | 0                 |
| Vacant land previously not recognised  |                                | 1,738,000          |                   |
| Heritage assets removed from the asset register. Municipality does not have full control of the asset. | <b>676,880</b>                 | <b>1,061,120</b>   | <b>0</b>          |
| <b>Total prior period errors</b>   |                                | <b>1,011,785</b>   |                   |

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for the year ended 30 June 2014

|  | 2014<br>R         | RESTATED<br>2013<br>R |
|--|-------------------|-----------------------|
| <b>38.0 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b> |                   |                       |
| <b>38.1 Irregular expenditure</b>  |                   |                       |
| Reconciliation of irregular expenditure  |                   |                       |
| Opening balance  | 42 743,773        | 38 383,555            |
| Irregular expenditure current year   | 13 084,247        | 0                     |
| Irregular expenditure not reported previous year                                   |                   | 1,710 086             |
| Irregular expenditure not reported previous year 2012/2013                         |                   | 2 650 132             |
| Irregular expenditure awaiting decision by council.                                | <u>55,828,019</u> | <u>42,743,773</u>     |

| Incident   | Disciplinary steps/criminal proceedings |
|--|---|
| <b>Incident not reported previous year-Obhukwini Road-Contractor Sicelimpilo</b> |   |
| <b>Contractors-</b> Total Contract Value-R 2 704 340.66 Payment R 1 710 085.50   |   |
| Irregular expenditure Current Year-Not following Supply Chain Procedures.        |   |
| <b>Incident- Limehill Highmast Lights -Contractor Veez Micro</b>                 |   |
| Contractor were appointed without following Supply Chain Procedures              |   |
| <b>Contractors-</b> Total Contract Value-R 1 134 015.00 No Payment up to date.   |   |

**38.2 Unauthorised expenditure**

|   |          |             |
|---|----------|-------------|
| Reconciliation of unauthorised expenditure      |          |             |
| Opening balance                                 | 0        | 5,875,090   |
| Unauthorised expenditure current year           | -        | 0           |
| Approved by Council.                            |          | (5,875,090) |
| Transfer to receivables for recovery            | -        | -           |
| Unauthorised expenditure awaiting authorisation | <u>0</u> | <u>0</u>    |

| Incident               | Disciplinary steps/criminal proceedings |
|------------------------|---|
| Unbudgeted expenditure |   |

**38.3 Fruitless and wasteful expenditure**

|  |                  |                  |
|--|------------------|------------------|
| Reconciliation of fruitless and wasteful expenditure             |                  |                  |
| Opening balance -  | 3,560,860        | 3,549,165        |
| Fruitless and wasteful expenditure current year                  | 2,005,272        | 11,695           |
| Approved by Council.   | -                | -                |
| To be recovered – contingent asset                               | -                | -                |
| Fruitless and wasteful expenditure awaiting decision by council. | <u>5,566,132</u> | <u>3,560,860</u> |

| Incident  | Disciplinary steps/criminal proceedings |
|---|---|
| Fruitless & Wasteful Expenditure - (R4004,79). Interest on various overdue accounts - Eskom |   |

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|  | 2014<br>R     | RESTATED<br>2013<br>R |
|--|---------------|-----------------------|
| <b>39.0 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>  |               |                       |
| <b>39.1 Contributions to organised local government</b>  |               |                       |
| Opening balance  | -             | -                     |
| Council subscriptions  | 450,000       | 400,000               |
| Amount paid - current  | (450,000)     | (400,000)             |
| Amount paid - previous years   |               |                       |
| <b>Balance unpaid (included in payables)</b>   | <u>-</u>      | <u>-</u>              |
| <b>39.2 Audit fees</b>   |               |                       |
| Opening balance  | -             | -                     |
| Current year audit fee   | 764,715       | 1 243,290             |
| Amount paid - current year   | -764 715      | -1,243,290            |
| Amount paid - previous years   |               |                       |
| <b>Balance unpaid (included in payables)</b>   | <u>-</u>      | <u>-</u>              |
| <b>39.3 VAT</b>  |               |                       |
| VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year |               |                       |
| <b>39.4 PAYE,SKILLS and UIF</b>  |               |                       |
| Opening balance  | 86,685        | -                     |
| Current year payroll deductions  | 2,425,101     | 2,135,833             |
| Amount paid - current year   | -2,425,101    | -2,049,148            |
| Amount paid - previous years   |               |                       |
| <b>Balance unpaid (included in payables)</b>   | <u>86,685</u> | <u>86,685</u>         |
| <b>39.5 Pension and Medical Aid Deductions</b>   |               |                       |
| Opening balance  | -             | -                     |
| Current year payroll deductions and Council Contributions  | 1,729,025     | 1 341,025             |
| Amount paid - current year   | -1,729 025    | -1,341,025            |
| Amount paid - previous years   |               |                       |
| <b>Balance unpaid (included in payables)</b>   | <u>-</u>      | <u>-</u>              |
| <b>39.6 Councillor's arrear consumer accounts</b>  |               |                       |
| The following Councillors had arrear accounts outstanding for more than 90 days as at -  | <b>Total</b>  | <b>Total</b>          |
|  | <b>R</b>      | <b>R</b>              |
| <b>as at 30 June 2014</b>  | -             | -                     |
| <b>as at 30 June 2013</b>  | -             | -                     |
| <b>Total Councillor Arrear Consumer Accounts</b>   | <u>-</u>      | <u>-</u>              |

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**NOTES TO THE FINANCIAL STATEMENTS**  
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|  | 2014<br>R         | RESTATED<br>2013<br>R |
|--|-------------------|-----------------------|
| <b>39.7 Supply chain management deviations</b>                                       |                   |                       |
| Dumezweni Accountants (PTY) Ltd  | 5 850             |                       |
| Mechanical Services  | 54 808            |                       |
| Mechanical Services  | 108,980           |                       |
| Mechanical Services  | 108,980           |                       |
| Kl-prvier  | 1,511             |                       |
| My Nunu Business Enterprise  | 4,500             |                       |
| MKZ Electrical   | 3 560             |                       |
| Mortimer Toyota  | 4 504             |                       |
| Seethal Attorneys  |                   | 311 901               |
| B P Khubeka  |                   | 7,800                 |
| E M Nkosi  |                   | 4,500                 |
| GVD Electrical   |                   | 2,114                 |
| MKZ Electrica  |                   | 7,420                 |
| Maharaj Plumbing   |                   | 2,810                 |
|  | <b>292,693</b>    | <b>336,345</b>        |
| <b>39.8 Non-Compliance with Chapter 11 of the Municipal Finance Management Act</b>   |                   |                       |
| None   |                   |                       |
| <b>40.0 CAPITAL COMMITMENTS</b>  |                   |                       |
| <b>40.1 Commitments in respect of capital expenditure</b>                            |                   |                       |
| - Approved and contracted for  | <b>16,470,165</b> | <b>29,334,082</b>     |
| Infrastructure   | 16,470,165        | 28,334,082            |
| Community  |                   |                       |
| Heritage   |                   |                       |
| Other  | -                 | -                     |
|  |                   | 1 000,000             |
| - Approved but not yet contracted for  | <b>0</b>          | <b>0</b>              |
| Infrastructure   | 0                 |                       |
| Community  |                   |                       |
| Heritage   |                   |                       |
| Other  | -                 | -                     |
|  | -                 | -                     |
| <b>Total</b>   | <b>16,470,165</b> | <b>29,334,082</b>     |
| This expenditure will be financed from:  |                   |                       |
| - External Loans   | -                 | -                     |
| - Government Grants  | 14,599,419        | 22,590,000            |
| - Own resources  | 1,870,746         | 6,744,082             |
| - District Council Grants  |                   |                       |
|  | <b>16,470,165</b> | <b>29,334,082</b>     |
| <b>41.0 Operating leases</b>   |                   |                       |
| <b>Operating leases - lessor</b>   |                   |                       |
| Within one year  | 14,474            | 36,316                |
| In the second to fifth year inclusive  |                   | 14,474                |
| <b>Total</b>   | <b>14,474</b>     | <b>50,790</b>         |
| See note 30 for rental income.   |                   |                       |
| <b>42.0 RETIREMENT BENEFIT INFORMATION</b>   |                   |                       |
| <b>42.1 Defined contribution plan</b>  |                   |                       |
| The following are defined contribution plans: These contributions have been expensed |                   |                       |

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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

|   | 2014<br>R      | RESTATED<br>2013<br>R |
|---|----------------|-----------------------|
| <b>42.2 Defined benefit plan</b>  |                |                       |
| Personnel are members of the Natal Joint Municipal Pension Fund, Government Employees Pension Fund and Municipal Council Pension Funds. The last actuarial valuation for Natal Joint Pension Fund was on 31 March 2012, for Government Employees Pension Fund the last actuarial valuation was on 31 March 2010 and for the Municipal Council Pension Fund the last actuarial valuation was on 3 June 2009. |                |                       |
| <b>43.0 CONTINGENT LIABILITY</b>  |                |                       |
| <b>43.1 Pending Legal Cases</b>   |                |                       |
| Indaka Local Municipality/S M Mbhele & Dlamini  | 60 000         | 0                     |
| Indaka Local Municipality/B S Maphanga  | 60 000         | 0                     |
| Indaka Local Municipality/Khumalo & Dlamini   | 60 000         |                       |
| Indaka Local Municipality/B B Mdletshe & Another  | 60 000         |                       |
| Magugu/Indaka Local Municipality  | 60 000         |                       |
|   | <u>300 000</u> | <u>0</u>              |
| <b>44.0 CONTINGENT ASSET</b>  |                |                       |
| None  |                |                       |
| <b>45.0 IN-KIND DONATIONS AND ASSISTANCE</b>  |                |                       |
| None  |                |                       |
| <b>46.0 COMPARISON WITH THE BUDGET</b>  |                |                       |
| The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)  |                |                       |
| <b>47.0 RELATED PARTIES</b>   |                |                       |
| <b>47.1 Transactions with Related Parties</b>   |                |                       |
| No transactions has been conducted during the financial year.   |                |                       |
| <b>47.2 Key Management Personnel Compensation</b>   |                |                       |
| Compensation of Key Management Personnel and Councillors is set out in Notes 23 and 24 respectively to the Annual Financial Statements.   |                |                       |
| <b>48.0 EVENTS AFTER THE REPORTING DATE</b>   |                |                       |
| <b>48.1 None</b>  |                |                       |
| <b>49.0 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</b>  |                |                       |
| The following areas involve a significant degree of estimation uncertainty:   |                |                       |
| Useful lives and residual values of property, plant, and equipment  |                |                       |
| Recoverable amounts of property, plant and equipment  |                |                       |
| Present value of defined benefit obligation   |                |                       |
| Provision for doubtful debts  |                |                       |

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|  | 2014 | RESTATED<br>2013 |
|--|------|------------------|
|  | R    | R                |

**50 FINANCIAL RISK MANAGEMENT**

***Financial Risk Management Objectives***

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**50.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevant financial instruments is as follows (domestic exposure only)

|                             | 2014<br>R          | 2013<br>R         |
|-----------------------------|--------------------|-------------------|
| Investments                 |                    |                   |
| Cash and Cash Equivalents   | 42,348,128         | 42,014,440        |
| Interest rate swaps         | 60,825,558         | 20,693,740        |
| Financial guarantees        | -                  | -                 |
| Trade and other receivables | -                  | 4,893,446         |
| Maximum Credit Exposure     | <u>103,173,686</u> | <u>67,450,961</u> |

**50.2 Credit Risk Management**

Credit risk consists mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows (domestic exposure only, no international exposure):

|   | 2014               | 2013              |
|---|--------------------|-------------------|
| Investments                               | 42,348,128         | 42,014,440        |
| Receivables                               | 902,167            | 1,413,823         |
| Cash and Cash Equivalents                 | 60,825,558         | 20,693,740        |
| Maximum Credit and Interest Risk Exposure | <u>104,075,853</u> | <u>64,121,338</u> |



**INDAKA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

|   | 2014<br>R        | RESTATED<br>2013<br>R |
|---|------------------|-----------------------|
| <b>Credit quality of Financial Assets:</b>  |                  |                       |
| The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: |                  |                       |
| <br><b>Receivables are broken down as follows:</b>  |                  |                       |
| Exchange  | 106,917          | 193,084               |
| Non-Exchange  | 795,250          | 1,220,739             |
|   | <u>902,167</u>   | <u>1,413,823</u>      |
| <br><b>The ageing of exchange and non-exchange receivables at the reporting date was as follows:</b>  |                  |                       |
| Gross   | 2,637,925        | 2,012,869             |
| Current (0 – 30 days)   | 147,942          | 83,517                |
| 31 - 60 Days  | 73,578           | 83,513                |
| 61 - 90 Days  | 73,871           | 83,502                |
| 91 - 120 Days   | 72,999           | 83,495                |
| Greater than 120 days   | 2,269,535        | 1,878,842             |
| Less: Provision for Bad Debts   | -1,961,001       | -1,341,998            |
| <b>Net Consumer Debtors</b>   | <u>676,924</u>   | <u>670,871</u>        |
| <br><b>Movement in the provision for bad debts:</b>   |                  |                       |
| Balance at the beginning of the year  | 1,341,998        | 752,336               |
| Contribution  | 619,003          | 589,662               |
| Bad Debts written off   | 0                | 0                     |
| <br><b>Balance at year end</b>  | <u>1,961,001</u> | <u>1,341,998</u>      |

**50.3 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

**50.4 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

|                                       | 2014<br>R          | 2013<br>R         |
|---------------------------------------|--------------------|-------------------|
| Call deposits                         | 32,348,128         | 11,210,399        |
| Investment deposits                   | 10,000,000         | 30,804,041        |
| Bank balances and cash                | 60,825,558         | 20,743,075        |
| Development Bank of South Africa loan | 3,666,382          | 3,535,189         |
| <b>Maximum Interest exposure</b>      | <u>106,840,068</u> | <u>66,592,704</u> |

**50.5 Other price risk**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

# 51. COMPARATIVE AND ACTUAL INFORMATION

| Description  | 2013/14           |                    |                   |                   |                    |  |
|--|-------------------|--------------------|-------------------|-------------------|--------------------|--|
|  | Original Budget   | Budget Adjustments | Final Budget      | Actual outcome    | Variance           | Actual Outcome as % of Final Budget    |
| R (000) thousands  |                   |                    |                   |                   |                    | Actual Outcome as % of Original Budget |
| <b>Financial Performance</b>   |                   |                    |                   |                   |                    |  |
| Property rates   | 2,029,208         | 2,233,603          | 2,233,603         | 2,189,186         | 44,417             | 98%                                    |
| Services charges - Refuse  | 188,644           | 220,000            | 220,000           | 221,852           | -1,852             | 101%                                   |
| Rental of Facilities and Equipment                                   | 75,766            | 78,398             | 78,398            | 102,952           | -24,554            | 131%                                   |
| Interest Earned-External investment                                  | 1,000,000         | 2,850,000          | 2,850,000         | 3,876,256         | -1,026,256         | 136%                                   |
| Transfers recognised - operational                                   | 67,380,000        | 67,241,000         | 67,241,000        | 66,851,057        | 389,943            | 99%                                    |
| Other own revenue  | 68,693            | 75,000             | 75,000            | 113,366           | -38,366            | 151%                                   |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>70,742,311</b> | <b>72,698,001</b>  | <b>72,698,001</b> | <b>73,354,669</b> | <b>-656,667</b>    |  |
| Employee Related Costs   | 12,268,079        | 11,965,852         | 11,965,852        | 9,256,777         | 2,708,875          | 77%                                    |
| Remuneration of Councillors  | 5,384,635         | 5,414,941          | 5,414,941         | 5,125,489         | 289,452            | 95%                                    |
| Dept Impairment  | 1,200,000         | 700,000            | 700,000           | 619,003           | 80,997             | 88%                                    |
| Depreciation and asset impairment                                    | 7,290,000         | 8,690,000          | 8,690,000         | 9,805,786         | -1,115,786         | 113%                                   |
| Finance charges  | 275,000           | 195,000            | 195,000           | 213,962           | -18,962            | 110%                                   |
| Contracted Services  | 4,535,000         | 4,285,000          | 4,285,000         | 5,049,988         | -764,988           | 78%                                    |
| Transfers and Grants   | 1,000,000         | 800,000            | 800,000           | 559,541           | 240,459            | 70%                                    |
| Other Expenditure  | 26,190,517        | 23,018,180         | 23,018,180        | 12,442,877        | 10,575,303         | 54%                                    |
| Loss on Disposal of PPE  |                   |                    |                   | 28,769            | -28,769            |  |
| <b>Total Expenditure</b>   | <b>56,143,231</b> | <b>55,068,773</b>  | <b>55,068,773</b> | <b>43,102,173</b> | <b>11,966,600</b>  |  |
| <b>Surplus</b>   | <b>12,599,079</b> | <b>17,629,228</b>  | <b>17,629,228</b> | <b>30,252,496</b> | <b>-12,623,267</b> |  |
| Transfers recognised - capital                                       |                   |                    |                   |                   |                    |  |
| Contributions recognised - capital and contributed assets            |                   |                    |                   |                   |                    |  |
| <b>Surplus after capital transfers &amp; contributions</b>           | <b>38,846,701</b> | <b>34,484,395</b>  | <b>34,484,395</b> | <b>22,986,204</b> | <b>11,498,191</b>  | <b>67%</b>                             |
| Share of surplus of associate  |                   |                    |                   |                   |                    |  |
| <b>Surplus for the year</b>  | <b>51,445,780</b> | <b>52,113,623</b>  | <b>52,113,623</b> | <b>53,238,699</b> | <b>-1,125,076</b>  |  |
| <b>Capital Expenditure &amp; funds sources</b>                       |                   |                    |                   | <b>53,238,699</b> |                    |  |
| Capital Expenditure  |                   |                    |                   |                   |                    |  |
| Transfers recognised - capital                                       | 38,846,701        | 34,484,395         | 34,484,395        | 20,444,596        | 14,039,799         | 59%                                    |
| Public Contributions and Donations                                   |                   |                    |                   | 0                 | 0                  |  |
| Assets previously not recognised.                                    |                   |                    |                   | 0                 | 0                  |  |
| Internally generated funds   | 12,589,325        | 17,590,131         | 17,590,131        | 3,189,496         | 14,400,635         | 18%                                    |
| <b>Total Sources of capital funds</b>                                | <b>51,436,027</b> | <b>52,074,526</b>  | <b>52,074,526</b> | <b>23,634,092</b> | <b>28,440,434</b>  |  |

## Cash Flows

|                                       |             |            |             |  |
|---------------------------------------|-------------|------------|-------------|--|
| Net cash from (used) operating        | 49,947,074  | 51,943,589 | 64,434,592  |  |
| Net cash from (used) investing        | -51,436,027 | 50,000,027 | -23,605,324 |  |
| Net cash from (used) financing        | -395,659    | -178,149   | -363,762    |  |
| Cash/cash equivalents at the year end | -1,984,612  | 1,765,413  | 40,465,506  |  |

# INDAKA LOCAL MUNICIPALITY

## SCHEDULE OF EXTERNAL LOANS as at 30 June 2014

| EXTERNAL LOANS              | Loan number | Redeemable Date | Balance at 30 June 2013 | Received during the period | Redeemed / written off during the period | Correction | Balance at 30 June 2014 |
|-----------------------------|-------------|-----------------|-------------------------|----------------------------|--|------------|-------------------------|
|                             |             |                 | R                       | R                          | R  |            | R                       |
| ANNUITY LOAN<br>DBSA @ 5%   | KZN 102849  | 30.09.2028      | 3,835,189               | -                          | 168,936                                  | 129        | 3,666,382               |
| <b>TOTAL EXTERNAL LOANS</b> |             |                 | <b>3,835,189</b>        | <b>-</b>                   | <b>168,936</b>                           | <b>129</b> | <b>3,666,382</b>        |

**INDAKA LOCAL MUNICIPALITY**  
**AMPHUKHLE B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
**as at 30 June 2014**

| 2013/2014                  | Assets at cost    | Carrying value     | Additions         | Work in progress  | Assets previously not recognised or registered | Disposals      | Assets at cost     | Accumulated depreciation | Sum of Disposals 2013/2014 | Sum of Change in Accounting Estimates 2013/2014 | Depreciation 2013/2014 | Sum of Closing Balance Accumulated Depreciation 2013/2014 | Sum of Carrying Value 2013/2014 |
|----------------------------|-------------------|--------------------|-------------------|-------------------|--|----------------|--------------------|--------------------------|----------------------------|---|------------------------|---|---------------------------------|
| <b>BUILDINGS</b>           |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Buildings                  | 5,707,531         | 6,854,193          | 615,770           |                   |  |                | 6,323,301          | -1,146,862               |                            |   | -201,265               | -1,347,927  | 4,975,375                       |
|                            | <b>5,707,531</b>  | <b>6,854,193</b>   | <b>615,770</b>    |                   |  |                | <b>6,323,301</b>   | <b>-1,146,862</b>        |                            |   | <b>-201,265</b>        | <b>-1,347,927</b>   | <b>4,975,375</b>                |
| <b>COMMUNITY ASSETS</b>    |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Arts & Crafts              | 2,289,912         | 2,789,541          |                   |                   |  |                | 2,289,912          | -499,629                 |                            |   | -76,330                | -575,959  | 1,713,983                       |
| Cemeteries                 | 1,188,549         | 1,188,549          | 178,527           |                   |  |                | 1,367,076          | -                        |                            |   | -87,143                | -87,143   | 1,279,933                       |
| Croche                     | 3,635,083         | 4,136,394          |                   |                   |  |                | 3,635,083          | -601,310                 |                            |   | -108,390               | -609,700  | 3,026,383                       |
| Halls                      | 2,823,119         | 3,210,367          | 1,027,465         |                   |  |                | 3,850,564          | -387,248                 |                            |   | -106,384               | -493,632  | 3,356,932                       |
| Library                    | 1,006,000         | 1,240,710          |                   |                   |  |                | 1,006,000          | -234,710                 |                            |   | -33,633                | -268,244  | 737,756                         |
| Market Stalls              | 1,276,252         | 1,449,259          |                   |                   |  |                | 1,276,252          | -173,007                 |                            |   | -42,642                | -215,549  | 1,060,703                       |
| Sportsfield                |                   |                    |                   | 110,197           |  |                | 110,197            | -                        |                            |   | -                      | -   | 110,197                         |
|                            | <b>12,218,916</b> | <b>14,014,819</b>  | <b>1,205,992</b>  | <b>110,197</b>    |  |                | <b>13,555,105</b>  | <b>-1,795,905</b>        |                            |   | <b>-464,323</b>        | <b>-2,260,227</b>   | <b>11,284,877</b>               |
| <b>HERITAGE ASSET</b>      |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Heritage                   | -                 | -                  | -                 |                   | -  |                | -                  | -                        |                            |   | -                      | -   | -                               |
| <b>INFRASTRUCTURE</b>      |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Electricity                | 10,755,128        | 10,757,279         | 1,026,223         | 524,003           |  |                | 12,305,354         | -2,151                   |                            |   | -466,702               | -468,853  | 11,836,500                      |
| Roads                      | 52,640,859        | 62,611,203         | 9,424,467         | 9,936,148         |  |                | 72,001,475         | -9,970,345               |                            |   | -7,662,226             | -17,632,570   | 54,368,904                      |
| Stormwater                 | 322,004           | 384,155            |                   |                   |  |                | 322,004            | -62,151                  |                            |   | -10,733                | -72,885   | 249,119                         |
|                            | <b>63,717,990</b> | <b>73,752,638</b>  | <b>10,450,690</b> | <b>10,460,152</b> |  |                | <b>84,628,832</b>  | <b>-10,034,647</b>       |                            |   | <b>-8,139,661</b>      | <b>-18,174,309</b>  | <b>66,444,523</b>               |
| <b>INTANGIBLE ASSETS</b>   |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Intangible Assets          | 22,089            | 34,460             | 170,000           |                   |  |                | 192,089            | -12,370                  |                            |   | -45,069                | -57,460   | 134,630                         |
|                            | <b>22,089</b>     | <b>34,460</b>      | <b>170,000</b>    |                   |  |                | <b>192,089</b>     | <b>-12,370</b>           |                            |   | <b>-45,069</b>         | <b>-57,460</b>  | <b>134,630</b>                  |
| <b>INVESTMENT PROPERTY</b> |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Investment Property        | 343,882           | 410,504            |                   |                   |  |                | 343,882            | -66,623                  |                            |   | -22,925                | -89,548   | 254,333                         |
|                            | <b>343,882</b>    | <b>410,504</b>     |                   |                   |  |                | <b>343,882</b>     | <b>-66,623</b>           |                            |   | <b>-22,925</b>         | <b>-89,548</b>  | <b>254,333</b>                  |
| <b>LANDFILL SITE</b>       |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Landfill Site              | 250,000           | 250,000            |                   |                   |  |                | 250,000            | -                        |                            |   | -                      | -   | 250,000                         |
|                            | <b>250,000</b>    | <b>250,000</b>     |                   |                   |  |                | <b>250,000</b>     | <b>-</b>                 |                            |   | <b>-</b>               | <b>-</b>  | <b>250,000</b>                  |
| <b>LAND</b>                |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Vacant Land                | 1,738,000         |                    |                   |                   |  |                | 1,738,000          | -                        |                            |   | -                      | -   | 1,738,000                       |
|                            | <b>1,738,000</b>  |                    |                   |                   |  |                | <b>1,738,000</b>   | <b>-</b>                 |                            |   | <b>-</b>               | <b>-</b>  | <b>1,738,000</b>                |
| <b>LEASED ASSETS</b>       |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Leased Assets              | 886,530           | 1,488,163          |                   |                   |  |                | 886,530            | -601,532                 |                            |   | -208,258               | -809,890  | 76,640                          |
|                            | <b>886,530</b>    | <b>1,488,163</b>   |                   |                   |  |                | <b>886,530</b>     | <b>-601,532</b>          |                            |   | <b>-208,258</b>        | <b>-809,890</b>   | <b>76,640</b>                   |
| <b>OTHER ASSETS</b>        |                   |                    |                   |                   |  |                |                    |                          |                            |   |                        |   |                                 |
| Computer equipment         | 567,816           | 949,706            | 143,762           |                   |  |                | 667,012            | -391,890                 | 5,818                      | 1,233   | -79,821                | -464,859  | 202,852                         |
| Furniture & Fittings       | 1,348,735         | 2,254,099          | 5,482             |                   |  |                | 1,354,217          | -905,365                 |                            | 5,596   | -143,029               | -1,042,797  | 311,420                         |
| Office equipment           | 284,413           | 430,611            | 5,160             |                   |  |                | 289,573            | -146,198                 |                            |   | -36,449                | -182,647  | 106,927                         |
| Plant & equipment          | 3,539,356         | 4,879,927          |                   |                   |  |                | 3,539,356          | 1,340,571                |                            |   | 272,983                | -1,613,553  | 1,925,803                       |
| Even dies                  | 1,669,160         | 2,501,007          | 466,866           |                   |  |                | 2,136,026          | -831,847                 |                            |   | 208,812                | -1,040,659  | 1,095,367                       |
|                            | <b>7,399,481</b>  | <b>11,015,351</b>  | <b>621,291</b>    |                   |  |                | <b>7,986,185</b>   | <b>-3,615,870</b>        | <b>5,818</b>               | <b>6,830</b>                                    | <b>-741,094</b>        | <b>-4,344,316</b>   | <b>3,641,869</b>                |
|                            | <b>90,546,419</b> | <b>107,820,128</b> | <b>13,063,743</b> | <b>10,570,349</b> | <b>-</b>                                       | <b>-34,567</b> | <b>115,880,924</b> | <b>-17,273,769</b>       | <b>5,818</b>               | <b>6,830</b>                                    | <b>-9,812,616</b>      | <b>-27,073,677</b>  | <b>88,810,247</b>               |

**INDAKA LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2014

|                            | 2012/2013 | Assets at cost | Carrying value | Additions | Work in progress | Prior period error | Disposals  | Assets at cost | Accumulated depreciation | Sum of Disposals 2012/2013 | Sum of Change in Accounting estimates 2012/2013 | Depreciation 2012/2013 | Sum of Closing Balance Accumulated Depreciation 2012/2013 | Sum of Carrying Value 2012/2013 |
|----------------------------|-----------|----------------|----------------|-----------|------------------|--------------------|------------|----------------|--------------------------|----------------------------|---|------------------------|---|---------------------------------|
| <b>BUILDINGS</b>           |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Buildings                  |           | 5 591 040      | 4 630 746      | -         | 116 491          |                    |            | 5 707 531      | -960 294                 | -                          | -   | 186 368                | -1 146 662  | 4 560 870                       |
|                            |           | 5 591 040      | 4 630 746      | -         | 116 491          |                    |            | 5 707 531      | -960 294                 | -                          | -   | -186 368               | -1 146 662  | 4 560 870                       |
| <b>COMMUNITY ASSETS</b>    |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Arts & Crafts              |           | 2 269 912      | 1 866 614      |           |                  |                    |            | 2 289 912      | -423 299                 | -                          | -   | -76 330                | -499 629  | 1 790 283                       |
| Cemeteries                 |           | 3 138 739      | 159 230        | 263 486   | 1 188 549        |                    |            | 1 188 549      | -401 413                 | -                          | -   | -98 897                | -501 310  | 1 188 548                       |
| Crèche                     |           | 2 823 119      | 2 529 974      |           | 232 859          |                    |            | 3 635 083      | -293 144                 | -                          | -   | -84 104                | -387 248  | 3 133 773                       |
| Halls                      |           | 1 006 000      | 804 823        |           |                  |                    |            | 2 823 119      | -201 177                 | -                          | -   | -33 533                | -284 710  | 2 436 870                       |
| Library                    |           | 1 276 252      | 1 145 787      |           |                  |                    |            | 1 006 000      | -130 465                 | -                          | -   | -42 542                | -173 007  | 771 250                         |
| Market Stall               |           |                |                |           |                  |                    |            | 1 276 252      |                          | -                          | -   |                        |   | 1 103 245                       |
| Sportsfield                |           |                |                |           |                  |                    |            |                |                          | -                          | -   |                        |   |                                 |
|                            |           | 10 634 022     | 6 606 427      | 263 486   | 1 421 407        |                    |            | 12 218 915     | -1 449 498               | -                          | -   | -346 407               | -1 796 905  | 10 423 010                      |
| <b>HERITAGE ASSET</b>      |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Heritage                   |           | 676 880        | 676 880        |           |                  | -676 880           |            |                |                          | -                          | -   |                        |   |                                 |
|                            |           | 676 880        | 676 880        |           |                  | -676 880           |            |                |                          | -                          | -   |                        |   |                                 |
| <b>INFRASTRUCTURE</b>      |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Electricity                |           | 6 033 499      | 55 263         | 578 029   | 4 143 599        |                    |            | 10 755 128     | -8 371 551               | -                          | -   | -2 151                 | -2 151  | 10 752 976                      |
| Roads                      |           | 36 504 403     | 31 132 852     | 5 985 167 | 10 151 289       |                    |            | 52 640 858     | -51 418                  | -                          | -   | -2 202 508             | -9 970 345  | 42 670 514                      |
| Stormwater                 |           | 322 004        | 270 566        |           |                  |                    |            | 322 004        | -5 422 969               | -                          | -   | -10 733                | -82 151   | 259 852                         |
|                            |           | 42 859 906     | 31 458 701     | 6 563 196 | 14 294 888       |                    |            | 63 717 990     | -5 422 969               | -                          | -   | -2 215 393             | -10 034 647   | 53 683 343                      |
| <b>INTANGIBLE ASSETS</b>   |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Intangible Assets          |           | 22 089         | 17 082         |           |                  |                    |            | 22 089         | -5 007                   | -                          | -   | -7 363                 | -12 370   | 9 719                           |
|                            |           | 22 089         | 17 082         |           |                  |                    |            | 22 089         | -5 007                   | -                          | -   | -7 363                 | -12 370   | 9 719                           |
| <b>INVESTMENT PROPERTY</b> |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Investment Property        |           | 300 000        | 253 866        | 43 882    |                  |                    |            | 343 882        | -46 134                  | -                          | -   | -20 489                | -86 623   | 277 259                         |
|                            |           | 300 000        | 253 866        | 43 882    |                  |                    |            | 343 882        | -46 134                  | -                          | -   | -20 489                | -86 623   | 277 259                         |
| <b>LANDFILL SITE</b>       |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Landfill Site              |           | 250 000        | 250 000        |           |                  |                    |            | 250 000        |                          | -                          | -   |                        |   | 250 000                         |
|                            |           | 250 000        | 250 000        |           |                  |                    |            | 250 000        |                          | -                          | -   |                        |   | 250 000                         |
| <b>LAND</b>                |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Vacant Land                |           |                |                |           |                  | 1 738 000          |            | 1 738 000      |                          | -                          | -   |                        |   | 1 738 000                       |
|                            |           |                |                |           |                  | 1 738 000          |            | 1 738 000      |                          | -                          | -   |                        |   | 1 738 000                       |
| <b>LEASED ASSETS</b>       |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Leased Assets              |           | 886 530        | 493 156        |           |                  |                    |            | 886 530        | -393 374                 | -                          | -   | -245 945               | -601 852  | 284 898                         |
|                            |           | 886 530        | 493 156        |           |                  |                    |            | 886 530        | -393 374                 | -                          | -   | -245 945               | -601 852  | 284 898                         |
| <b>OTHER ASSETS</b>        |           |                |                |           |                  |                    |            |                |                          |                            |   |                        |   |                                 |
| Computer equipment         |           | 868 878        | 240 713        | 40 352    |                  |                    | 336 309    | 572 321        | -620 660                 | -                          | 219   | -94 070                | -398 890  | 173 431                         |
| Furniture & Fittings       |           | 1 230 425      | 605 263        |           |                  |                    | -64 090    | 1 166 335      | -730 304                 | -                          | 47 615  | 191 577                | -828 107  | 336 278                         |
| Office equipment           |           | 428 491        | 97 196         | 69 650    |                  |                    | -19 558    | 478 583        | -218 623                 | -                          | 4 970   | -33 601                | -227 696  | 250 886                         |
| Plant & equipment          |           | 3 954 668      | 2 722 064      | 8 215     |                  |                    | -449 800   | 3 513 083      | -1 247 638               | -                          | -26 896   | 245 237                | -1 329 332  | 2 183 751                       |
| Fences                     |           | 3 087 866      | 1 061 984      |           |                  |                    | -1 418 705 | 1 669 160      | -2 035 882               | -                          |   | -172 567               | -831 647  | 837 313                         |
|                            |           | 9 570 328      | 4 717 221      | 118 216   |                  |                    | -2 289 862 | 7 399 482      | -4 963 107               | -                          | 25 988  | -737 092               | -3 615 872  | 3 783 610                       |
|                            |           | 70 650 795     | 49 004 080     | 5 988 780 | 15 832 787       | 1 061 120          | -2 289 862 | 92 284 419     | -13 130 383              | -                          | -2 332 631                                      | -3 759 057             | 17 273 711  | 76 010 708                      |

INDAGA LOCAL MUNICIPALITY  
APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

|                        | Sum of Carrying Value 2012/2013 | Transfers | Sum of Carrying Value 2012/2013 | Assets at cost 30 June 2013 | Assets transferred Prior year error | Re-related Assets at cost 30 June 2013 | Sum of Acquisitions 2013/2014 | Sum of Capital Under Construction 2013/2014 | Sum of Disposals 2013/2014 | Sum of Closing Balance Assets 2013/2014 | Sum of Operating Balance Accum Deprec 01/07/2013 | Sum of Operating Balance Accum Deprec 01/07/2013 | Sum of Change in Accounting estimates 2013/2014 | Sum of Disposals 2013/2014 | Sum of Closing Balance Accumulated Depreciation 2013/2014 | Sum of Carrying Value 2013/2014 |
|------------------------|---------------------------------|-----------|---------------------------------|-----------------------------|-------------------------------------|--|-------------------------------|---|----------------------------|---|--|--|---|----------------------------|---|---------------------------------|
| BUDGET & TREASURY      | 274 172                         | 7 117     | 281 289                         | 807 861                     |                                     | 807 861                                | 303 043                       | 110 197                                     | (34 587)                   | 1 110 604                               | (504 861)  | (526 572)  | 1 178   | 5 818                      | (875 761)   | 435 143                         |
| COMMUNITY SERVICES     | 10 455 266                      | 9 594     | 10 464 873                      | 12 287 604                  |                                     | 12 287 604                             | 1 206 892                     |   |                            | 13 589 207                              | (1 833 969)                                      | (1 822 731)                                      |   |                            | (12 276 522)  | 11 282 855                      |
| CORPORATE SERVICES     | 6 290 520                       | (14 895)  | 6 275 625                       | 8 168 424                   | 1 061 120                           | 9 229 544                              | 891 371                       |   |                            | 10 120 914                              | (1 998 390)                                      | (1 892 789)                                      |   |                            | (12 389 622)  | 7 791 282                       |
| ELECTRICITY            | 10 752 976                      | 0         | 10 752 976                      | 10 755 128                  |                                     | 10 755 128                             | 1 026 223                     | 524 003                                     |                            | 12 305 354                              | (2 151)  | (2 151)  |   |                            | (486 563)   | 11 836 500                      |
| EXECUTIVE & COUNCIL    | 203 864                         | 14 437    | 218 401                         | 914 800                     |                                     | 914 800                                | 21 362                        |   |                            | 936 162                                 | (986 153)  | (986 399)  | 4 152   |                            | (781 628)   | 154 556                         |
| HOUSING                | 10 455                          | (9 585)   | 873                             | 23 144                      |                                     | 23 144                                 |                               |   |                            | 23 144                                  | (22 271)   | (22 271)   |   |                            | (22 562)  | 562                             |
| PLANNING & DEVELOPMENT | 60 344                          | 13 753    | 54 590                          | 125 676                     |                                     | 125 676                                |                               |   |                            | 126 676                                 | (73 631)   | (71 086)   | 769   |                            | (86 869)  | 38 806                          |
| ROAD TRANSPORT         | 43 803 897                      | (2 876)   | 45 900 961                      | 581 056 136                 |                                     | 581 056 136                            | 9 615 733                     | 9 936 146                                   |                            | 77 692 542                              | (12 242 294)                                     | (12 239 700)                                     | 661   |                            | (20 372 033)  | 67 320 510                      |
|                        | 73 945 599                      | (0)       | 73 945 599                      | 91 233 298                  | 1 061 120                           | 92 304 418                             | 13 003 743                    | 10 370 349                                  | (34 587)                   | 115 893 923                             | (17 273 710)                                     | (17 273 709)                                     | 8 830   | 5 818                      | (27 073 577)  | 88 810 247                      |

**INDAKA LOCAL MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2014

| 2013                           | 2013               | 2013                | 2014           | 2014               | 2014                |
|--------------------------------|--------------------|---------------------|----------------|--------------------|---------------------|
| Actual Income                  | Actual Expenditure | (Surplus) / Deficit | Actual Income  | Actual Expenditure | (Surplus) / Deficit |
| R                              | R                  | R                   | R              | R                  | R                   |
| (303,352)                      | 16,070,418         | 15,767,067          | (514,000)      | 9,150,224          | 8,636,224           |
| -                              | -                  | -                   | (3,139,000.00) | 8,345,178          | 5,206,178           |
| (21,217,761)                   | 6,222,003          | (14,995,758)        | (23,748,594)   | 7,142,820          | (16,605,774)        |
| (65,298,578)                   | 12,732,552         | (52,566,026)        | (68,938,278)   | 16,121,111         | (52,818,167)        |
| -                              | 1,329,463          | 1,329,463           | -              | 2,342,840          | 2,342,840           |
| -                              | -                  | -                   | -              | -                  | -                   |
| (86,819,690)                   | 36,354,436         | (50,465,253)        | (96,340,872)   | 43,102,173         | (53,238,699)        |
| Less: Inter-Department Charges |                    |                     |                |                    |                     |
| (86,819,690)                   | 36,354,436         | (50,465,253)        | (96,340,872)   | 43,102,173         | (53,238,699)        |
| Total                          |                    |                     |                |                    |                     |

# INDAKA LOCAL MUNICIPALITY

## APPENDIX E (1)

### APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

Explanation of significant Variance greater than 10% versus Budget

|  | Budget<br>2014        | Actual<br>2014       | Variance<br>2014     | Variance<br>2014 | Explanation of significant Variance<br>greater than 10% versus Budget  |
|--|-----------------------|----------------------|----------------------|------------------|--|
|  | R                     | R                    | R                    | %                |  |
| <b>REVENUE</b>                             |                       |                      |                      |                  |  |
| Property rates                             | (2 233 603)           | (2,189,186)          | ( 44 417)            | 1.99%            | N/A  |
| Service charges                            | (220,000)             | (221,852)            | 1 852                | -0.84%           | N/A  |
| Rental of facilities and equipment         | (78,398)              | (102,952)            | 24 554               | -31.32%          | N/A  |
| Interest earned - external investments     | (2,850,000)           | (3,876,256)          | 1,026,256            | -36.01%          | Due to strict expenditure control applied through the administrator. It resulted that more Government grants and subsidies |
| Government grants and subsidies            | (101,725,395)         | (89,837,260)         | ( 11 888 135)        | 11.69%           | Includes roll over grant.  |
| Other income                               | (75,000)              | (113,366)            | 38,366               | -51.15%          | Due to a large amount of capital tenders a huge volume of tender documents were sold.                                      |
| <b>Total Revenue</b>                       | <b>( 107 182 396)</b> | <b>( 96 340 872)</b> | <b>( 10 841 524)</b> |                  |  |
| <b>EXPENDITURE</b>                         |                       |                      |                      |                  |  |
| Employee related costs                     | 11 965 652            | 9 256 777            | 2 708 875            | 22.64%           | Due to vacant posts that was budgeted and not filled.  |
| Remuneration of councillors                | 5 414 941             | 5 125 489            | 289 452              | 5.35%            | N/A  |
| Debt impairment                            | 700 000               | 619 003              | 80 997               | 11.57%           | N/A  |
| Depreciation & asset impairment            | 8 690 000             | 9 805 786            | ( 1 115 786)         | -12.84%          | Under budgeted   |
| Finance charges                            | 195 000               | 213 962              | ( 18 962)            | -9.72%           | N/A  |
| Contracted services                        | 4 285 000             | 5 049 968            | ( 764 968)           | -17.85%          | Due to certain services that was not required and utilised by the Municipality   |
| Other expenditure                          | 23 818 180            | 13,031,187           | 10 786 993           | 45.29%           | Due to strict expenditure control applied through the administrator.   |
| <b>Total Expenditure</b>                   | <b>55 068 773</b>     | <b>43 102 173</b>    | <b>11 966 600</b>    |                  |  |
| <b>NET (SURPLUS)/ DEFICIT FOR THE YEAR</b> | <b>( 52 113 623)</b>  | <b>( 53 238 699)</b> | <b>1 125 076</b>     |                  |  |



## APPENDIX E (2)

APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2014

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## APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

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